

CITY OF MURFREESBORO, TENNESSEE

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED
JUNE 30, 2003**

**JAMES B. PENNER
CITY RECORDER/FINANCE DIRECTOR**

CONTENTS

INTRODUCTORY SECTION -

Letter of Transmittal	i -xvii
City Officials	xviii
Organizational Chart	xix
Certificate of Achievement	xx

FINANCIAL SECTION -

<i>Independent Auditor's Report</i>	Page 1 - 2
---	------------

<i>Management's Discussion and Analysis</i>	3 - 14
---	--------

Basic Financial Statements-

Government-wide Financial Statements-

Statement of Net Assets	15
Statement of Activities	16 - 17

Fund Financial Statements -

Balance Sheet - Governmental Funds	18 - 19
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	20
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Balance Sheet - Proprietary Funds	23
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25 - 26
Statement of Net Assets - Fiduciary Funds	27
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	28

<i>Notes to Financial Statements</i>	29 - 55
--	---------

Required Supplementary Information -

Schedule of Funding Progress - Pension Trust Funds	56
Schedule of Employer Contributions - Pension Trust Funds	57
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	58 - 64
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Purpose School Fund	65

SUPPLEMENTAL SECTION -

Combining Statements and Individual Fund Schedules -

Combining Balance Sheet - Nonmajor Governmental Funds	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	67

CONTENTS

Combining Statements and Individual Fund Schedules (continued) -

Combining Balance Sheet - Nonmajor Special Revenue Funds	68 - 69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds . . .	70 - 72
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -	
State Street Aid Fund	73
City Recreation Fund.	74
Senior Citizens Fund.	75
Old Fort Golf Course Fund	76 - 77
Television Fund	78
Solid Waste Fund.	79
Airport Fund.	80
Drug Enforcement Fund	81
Extended School Program Fund.	82
21 st Century Program	83
Title I Program	84
IDEA Part B Program	85
Title II Program	86
Preschool Grant	87
Even Start Program.	88
Title VI Program.	89
Class Size Reduction.	90
Migrant Program	91
TCLS Grant.	92
Project Eagle	93
Title III Program	94
Title V Program	95
Combining Balance Sheet - Nonmajor Capital Project Funds	96
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Project Funds . . .	97 - 98
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -	
Capital Improvement and Contingency Fund.	99
Community Development Fund	100
Battlefield River Trail	101
1996 TML Fund	102
1998 TML Fund	103
1999 TML Fund	104
2002 TML Fund	105
Commerce Park	106
2001 TML Fund	107
Debt Service Fund	108
Combining Balance Sheet - Nonmajor Enterprise Funds	109
Combining Statement of Revenue, Expenses, and Changes in Net Assets - Nonmajor Enterprise Funds.	110
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	111
Combining Balance Sheet - Internal Service Funds.	112
Combining Statement of Revenues, Expenses, and Changes in Net Assets - Internal Service Funds.	113
Combining Statement of Cash Flows - Internal Service Funds	114
Combining Statement of Net Assets - Pension Trust Funds .	115
Combining Statement of Changes in Fiduciary Net Assets - Pension Trust Funds	116

CONTENTS

Financial Schedules -

Schedule of Certificates of Deposit by Fund.	117
Schedule of Investments by Fund.	118 - 124
Schedule of Property Taxes Receivable.	125
Schedule of Debt Service Requirements by Fiscal Year	126 - 130
Schedule of Interfund Transfers - All Funds.	131

STATISTICAL SECTION -

General Governmental Revenues By Source.	132
General Governmental Expenditures By Function.	133
Property Tax Levies and Collections.	134

STATISTICAL SECTION (continued) -

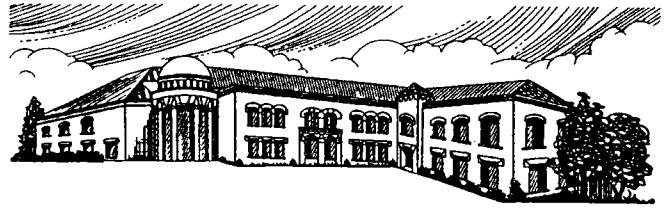
Assessed Value and Estimated Actual Value of Taxable Property	135
Property Tax Rates and Levies - Direct and Overlapping Governments.	136
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	137
Ratio of Annual Debt Service for General Bonded Debt to Total General Expenditures	138
Computation of Direct and Estimated Overlapping Bonded Debt Payable from Ad Valorem Taxes	139
Revenue Bond Coverage.	140
Demographic Statistics	141
Property Value, Construction and Bank Deposits	142
Principal Taxpayers.	143
Schedule of Salaries of Principal City Officials and Amounts of Fidelity Bonds	144
Schedule of Insurance Coverage	145 - 146
Schedule of Customers and Rate Structure	147 - 148

SINGLE AUDIT SECTION -

Schedule of Expenditures of Federal Awards	149 - 151
Schedule of Expenditures of State Awards	152
Independent Auditor's Reports on Compliance and on Internal Control.	153 - 156
Summary Schedule of Prior Audit Findings	157
Schedule of Findings and Questioned Costs.	158 - 160

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TOMMY BRAGG, MAYOR
ROGER G. HALEY, CITY MANAGER
JAMES B. PENNER, CITY RECORDER
SHERRY L. CARPENTER, CITY TREASURER

January 2, 2004

Honorable Mayor Bragg and Members of the City Council
City of Murfreesboro
Murfreesboro, Tennessee

The Finance Department and City Manager's Office is pleased to submit the Comprehensive Annual Financial Report for the City of Murfreesboro, Tennessee for the fiscal year ended June 30, 2003.

This report is published to provide the City Council, City staff, our citizens, our bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness for the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

THE REPORT

This Report is presented in five sections: Introductory, Financial, Supplemental, Statistical and Single Audit. The introductory section includes this transmittal letter, the government's organizational chart and a list of principal City officials.

The financial section includes the management discussion and analysis (MD&A) and the basic financial statements, which are comprised of the government-wide financial statements, the fund financial statements and footnotes to the financial statements. Required supplementary information other than MD&A and the independent auditor's report on the financial statements and schedules are also presented. The supplemental section includes combining fund financial statements and individual fund schedules. The statistical section includes financial and demographic information usually presented on a multi-year basis that is relevant to a financial reader.

The government is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and U. S. Office of Management and Budget Circular (A-133), *Audits of State and Local Governments*. Information related to this single audit, including the schedule of expenditures of federal awards and auditor's reports on the internal control structure as it relates to federal financial assistance and compliance with laws and regulations, are included in the single audit section of this report.

In June 1999, the Government Accounting Standards Board (GASB) issued GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* effective for the fiscal year ended June 30, 2002. This statement, known as the "Reporting Model" statement, affects the way the City prepares and presents financial information.

The intent of GASB 34 was to make the reports easier to understand and to make them more useful to the people relying on the information to make decisions.

THE REPORTING ENTITY AND ITS SERVICES

This report includes all of the funds of the government. The City of Murfreesboro provides a full range of municipal services including police protection, fire protection, solid waste pickup, street lighting, street maintenance, traffic management, parks and recreation, municipal golf course, cable television, planning and engineering, codes enforcement, city court, airport and city beautification. In addition to the general government activities, the City operates the Murfreesboro Water and Sewer Department providing potable water and sanitary sewer treatment, the Murfreesboro Electric Department providing electric service, and Murfreesboro City Schools providing public schools for grades K-6. In conjunction with Rutherford County, the City operates the Linebaugh Public Library.

ECONOMIC CONDITION AND OUTLOOK

The City of Murfreesboro, the county seat of Rutherford County, is located at the geographic center of the State of Tennessee approximately 35 miles southeast of Nashville, the state capital. The City's corporate boundary encompasses approximately 41 square miles. The U. S. census conducted in 2000 indicated a population of 68,815 for a 53.2% increase over the 1990 U.S. Census, which indicated a population of 44,922. A special census in 2003 certified a population of 75,083. Murfreesboro has experienced a greater amount of residential growth than any other municipality located in Rutherford County and is one of the fastest growing cities in the State.

In addition to residential growth, the City has experienced considerable commercial and industrial development during the past decade. This non-residential development is expected to continue for the next several years, particularly commercial growth, to serve the needs of the growing population. Murfreesboro is the home of Middle Tennessee State University (MTSU) and, with a student enrollment of over 24,000, it is perhaps the fastest growing public university in the State of Tennessee. The economic outlook for the City is excellent.

MAJOR INITIATIVES AND SERVICE EFFORTS

Administration

The day-to-day business of operating the city is the responsibility of the city manager, the chief administrator of the city appointed by the city council. Through various departments, he is responsible for providing and maintaining the essential services of the city. Acting in much the same way as a chief executive officer of a corporation, the city manager is concerned about the efficient and cost-effective operation of the city. Citizens require and depend upon the city for certain services; among them are fire and police protection, recreational facilities, parks, sanitation and streets. The city manager delegates responsibility and coordinates the many tasks performed daily by city employees.

A duty that is the direct responsibility of the city manager, however, is the preparation of the city's annual budget. The budget reflects the expected revenue and projected expenses for the ensuing year, and is the subject of public hearings. The city manager, in carrying out the responsibilities of fiscal planning and of other areas of city government, has the authority to appoint the heads of the various administrative departments and divisions.

Council determines policy and overall direction for the city through legislation, but execution of council's decisions is the paramount responsibility of the city manager.

During FY 03, the City Council conducted 6 town meetings. Additionally, the city completed a special census certifying the city's population at 75,083. A contract was approved for the sale of 68 acres in the Gateway Project to Middle Tennessee Medical Center for \$5.3 million. The city completed a Master Plan for the Gateway Project and developed design guidelines for the Gateway Overlay District. Phases 2 and 3 of the Medical Center Parkway were completed. Also, a conference center feasibility study was received.

Council appointed a Stormwater Advisory Committee charged with securing the federally-mandated Stormwater Permit and submitted a Phase 2 Stormwater Permit application. The city also strengthened its downtown parking ordinance, relocated the city's communication tower, and conducted a neighborhood cleanup in the Patterson area. A comprehensive plan for the Maney Avenue corridor was developed.

As a result of planning in the current fiscal year, in July 2003 \$6.2 million in bonds were refinanced, resulting in an estimated \$600,000 in savings. The city implemented vehicle extrication services and first responder by the Fire Department. Additionally, Council approved a new franchise agreement with Comcast Cable, which includes the construction of an institutional network to link all city-owned buildings with fiber optic cable. It also approved a lease with Verizon Wireless for their temporary spaces while the former Shoppes at River Rock were renovated, which will eventually result in 1,200 new jobs.

Municipal Airport and Heliport

The City of Murfreesboro owns and manages the Murfreesboro Municipal Airport providing fuel services (Avgas and Jet A) and accommodations for aircraft with both tie-downs and t-hangars. The Murfreesboro Municipal Airport is one of a very few General Aviation (GA) airports in the state of Tennessee that operates on a self-sufficient basis. During this period, the Airport received its eighth consecutive "Front Door" Award from the Tennessee Department of Economic and Community Development and the Tennessee Division of Aeronautics. The Airport completed the Airport Layout Plan (ALP) and is waiting for the Federal Aviation Administration (FAA) to review the document before it is presented to City Council. The Airport Commission is in the process of reviewing and updating the Airport Rules, Regulations, and Minimum Standards. Proposed changes should be presented to City Council for approval during the spring of 2004. The Airport staff also oversees the Grace Hospital Heliport facility located on the campus of Central Middle School. 2003 marks the second year this facility has been in service. As budgeted, the General Fund reimburses the Airport Fund for the annual maintenance expenses of the heliport.

Building and Codes

The Building and Codes Department is responsible for enforcing nationally recognized minimum public safety construction standards for new construction and alterations to existing construction. Inspection personnel are trained and certified by the State of Tennessee. During FY 03, the department issued 1511 permits for new single-family dwellings and 84 new multifamily dwelling units. The total valuation of all construction permitted was \$167 million.

The Department is also responsible for enforcing minimum property maintenance standards for existing buildings and properties. During FY 03, the department issued 1,230 correction notices for violations of the minimum property maintenance standards. This includes such violations as buildings in disrepair, overgrown grass, inoperable or unlicensed vehicles, and accumulation of rubbish.

The City's Building and Codes Director Betts Nixon serves on the Board of Directors of the International Accreditation Service (IAS), which is a subsidiary nonprofit corporation of the International Code Council (ICC). IAS promotes and facilitates domestic and international trade by accrediting testing laboratories, assessment organizations and fabricator inspection programs. IAS is developing a voluntary accreditation program for building departments.

Cable Television

The Murfreesboro Cable Television Department is responsible for managing Murfreesboro's government access cable channel (located on Comcast cable channel 3), administering cable television franchise agreements for the city, and assisting city cable television subscribers in resolve disputes with Comcast.

During FY 03, City Channel 3 received four national awards for its locally produced programs from the National Association of Telecommunications Officers and Advisers and received honorable mention for Excellence in Government Programming for small communities. Also, City Channel 3 received a national award from the Alliance for Community Media for a locally produced program.

The department cablecast 122 city/county public meetings on City channel 3 and oversaw a total of 272 first run/produced programs and videos. The channel also averaged 20 hours of original first run programming per month.

The department completed a new Cable Franchise Agreement with Comcast and a Cable Communications Ordinance. Some of the highlights of the new Ordinance and non-exclusive 15 year Agreement include: customer service standards and liquidated damages for specific breaches, emergency alert system, franchise fee of 5% of gross revenue due quarterly to the City, \$850,000 government access equipment grant, 5 local access channels, and an Institutional Network constructed by Comcast connecting 57 City and City School buildings together via fiber cables to be used for applications ranging from data, video, and voice.

City Schools

The Murfreesboro City School System operates ten kindergarten through sixth grade public schools with an enrollment of 6,005 students. In addition, 220 preschool students qualify to be served based on need. The system has a budgeted per pupil expenditure of \$6,600 for FY 03 and employs in excess of 1,000 full- and part-time employees.

The City System is known for innovation that brings about high achievement for children evidenced by excellent test scores. All schools and the Central Office are accredited by the Southern Association of Colleges and Schools; the district maintains a 1:20 teacher-pupil ratio. The nationally recognized Extended School Program offers before- and after-school services to families who need those services; the district's MERIT program serves high achieving students; and all classrooms are technologically equipped as 21st Century classrooms.

The Murfreesboro City School System regularly partners with various universities in action research. In addition, the district collaborates with the Jennings and Rebecca Jones Foundation and Middle Tennessee State University to offer leadership, arts, and science/math/technology camps for graduated fourth and fifth graders.

The district has been the recipient of over \$4 million in grants during the past four years, including a \$2.1 million 21st Century Community Learning Centers grant which has provided additional after-school and summer services for children and their families.

The system has been recognized within the past three years with the following awards for model programs in recognition of school and community partnerships for promoting academic achievement and improving the quality of life for Murfreesboro's families: The National Civic Star Award given by the American Association of School Administrators and Sodexo, national urban school district winner of the Leadership for Learning Award by the American Association of School Administrators, national Community of Excellence designation by the Federal Interagency Council's Communities Can! Organization, American School Board Journal's Magna Award, Tennessee School Boards Association's Excellence in Education Award, and the state Department of Health's Healthy Kids Community Award, and the Governor's Tennessee Volunteer Commendation Award.

Community Development Department

The Community Development Department's objective is to use the funding from the Community Development Block Grant program to provide decent, safe and sanitary housing for low-income families and households and provide a suitable living environment in the City. The programs are directed toward neighborhood revitalization, economic development and the provision of improved community facilities and services.

During FY 03 program year administering the City's federally funded Community Development Block Grant (CDBG) Program, the Community Development Department implemented many worthwhile activities and projects, expending funds in a timely manner meeting the mandates of the statutes, while providing decent housing, a suitable living environment and expanding economic opportunities, principally for low-income persons in the City.

The department also administered two grants awarded to the City from the State of Tennessee, Tennessee Housing Development Agency (THDA) during FY 2002-2003. The HOME Program Grant provided funding for our owner-occupied Rehab Program and the Emergency Shelter Grant Program provided funding for three emergency shelter agencies in the City.

Accomplishments during the year included the following:

Housing

- Rehab Housing Program Owner-Occupied Units – Eleven homes were rehabilitated and four homes demolished and reconstructed.
- Affordable Housing Assistance Program – Nine first time homebuyer households received down payment assistance and homebuyer counseling. Homebuyer counseling was extended to all interested persons requesting assistance through the program.

Emergency Shelter and Permanent Housing for the Homeless

- Three agencies providing emergency shelter for the homeless and assistance with permanent housing received funding administered through this department. Homeless prevention is accomplished with the use of the City's Emergency Shelter Grant funds through The Salvation Army, Room In The Inn and The Domestic Violence Program.

Public Service

- Elderly Day Care Program – Thirty-two persons, the majority suffering from dementia or early stages of Alzheimer's disease utilized the services of the St. Clair Senior Citizens Center program partially funded with CDBG funds.
- Tender Care Parenting Program – Assisting in the prevention of child abuse, CDBG funding provided for one Family Services Coordinator. Twenty-four clients were assisted this program year. Targeted are young, low-income unmarried mothers needing family care instruction.
- STARS Program – Eighty-seven individuals participated in this CDBG funded program for at-risk youth. Education and community activities are provided for enrichment and crime prevention.
- Child Care Services – A total of 1,353 boys and girls received services at the Boys and Girls Club this program year. CDBG funds were administered to assist with the purchase of three buses to transport children after school and during the summer where they receive numerous services.

Economic Development

- Micro-Enterprise Assistance was offered to small business owners or persons wanting to start a micro enterprise through a small business program administered by Woodbine Community Organization. This assistance was promoted in part with the City's CDBG funding.

Murfreesboro Fire Department

The City of Murfreesboro has a full-time professionally staffed fire department and enjoys a Class 3 Insurance Services Office (ISO) fire rating. The Murfreesboro Fire Department began providing extrication on January 1 and Medical First Responder services on July 1 for the City of Murfreesboro. The department trained and certified 126 personnel for Medical First Responder and 102 personnel for extrication. Two new rescue trucks with equipment were purchased. Two portable transmitters were purchased for the infrared cameras that are used for viewing inside a burning structure. An exhaust extrication system was purchased for Station 8. The fourth session of the Citizens Fire Academy was held in the Spring of 2003. The City served as host for the Fire Inspector Conference.

Fleet Services

The Fleet Services Department has been charged with servicing the City of Murfreesboro's fleet vehicles. The vehicles range from police cars, pick-up trucks, tractors, garbage trucks and fire engines. The Fleet Services Department is comprised of three maintenance facilities in which each is assigned a specific portion of the city's fleet. The Main Service Center is assigned all small trucks and cars below 1-ton in weight. The Heavy Equipment Shop is assigned all fire engines, water trucks and heavy equipment

throughout the city. The Solid Waste Shop is assigned all garbage trucks, street sweepers and knuckle-booms and dump trucks from the Street and Sign department.

Fleet Services Department has accomplished the following for year 2003.

- Developed a recycling program for used tires and oil. The city is now paid for used tires and oil.
- Conducted preventative maintenance and safety inspections on all city vehicles, trucks, trailers on a regular basis.
- Emissions testing for all city vehicles.
- Handled all accident repairs and acquiring estimates as needed for the Risk Management Department.
- Assisted all city departments with bids and purchasing of new and used vehicles.
- Reduced part costs by purchasing parts under consolidated fleet pricing instead of individual department pricing.
- Provided cost analysis of new and used vehicles, police pool vehicles to take home vehicles and compared the effectiveness of different makes in our fleet.
- Provided ASE testing to all mechanics in Middle Tennessee.
- Reviewed and acted on all safety recalls and technical service bulletins for all city vehicles
- Recommended replacement of vehicles that have outlived their usefulness due to age, mileage or safety concerns.
- Assisted department heads with estimating budgets for maintenance and vehicle replacement.
- Conducted an auction to sell used outdated vehicles and equipment.
- Assisted departments in purchasing of used vehicles by inspecting vehicles prior to purchase.
- Discarded all salvage, wrecked beyond repair and Risk Management purchased vehicles.
- Developed and adopted a safety inspection sheet to be used on all vehicles.
- Fleet Services Department converted a 1999 garbage truck into a rollback and uses it to tow city owned vehicles.

Golf Course

Old Fort Golf Course

The City of Murfreesboro owns and operates the Old Fort Golf Course at Old Fort Park. During 2003 (April 21 through November 28) the golf course was closed for a \$2.4 million dollar renovation. The renovation included a new irrigation system designed to accommodate the reuse water line coming from Murfreesboro Water and Sewer Department. The greens and tees were rebuilt to USGA specifications with greens being planted with Crenshaw bentgrass. Also, two new water features were added along with thirty-two bunkers, which included eleven fairway bunkers. The initial response has been truly remarkable. Players are enjoying the changes and upgrades and are excited to be back on the course.

Veterans Administration Golf Course

The City maintains and operates a 9-hole golf course on the campus of the Veterans Administration Medical Center. The City has agreed to a three-year lease of the facility with hopes of a longer agreement in the future. In 2003, a modular building was purchased and put in place for use of a clubhouse. The public has enjoyed having a place to sit down for a snack after play as well as having refuge from inclement weather and indoor restroom facilities. The fairways were overseeded again this year and the response was very favorable.

Legal

The Legal Department provides legal services to the Mayor, City Council, City Manager, Department Heads, and the Boards and Commissions of the City. The Legal Department also advises the officials and employees of two municipally created entities, the Murfreesboro City Board of Education and the Murfreesboro Power Board, that administer the Murfreesboro City Schools and the Murfreesboro Electric Department respectively.

Legal services provided by the Legal Department include drafting ordinances and resolutions for the City Council, preparing or reviewing bids, construction contracts, contracts for goods and services, leases, deeds, inter-governmental agreements, Employee Handbook, and other legal documents; advising about personnel matters; representing the City and its employees in litigation as a plaintiff or a defendant;

collecting back taxes; obtaining land easements or rights-of-way for City purposes; certifying bonds, capital outlay notes and other financial and debt instruments; and, advising about new cases and statutes and their application to City activities.

The Legal Department is also responsible for the City's Risk Management Program. This includes identifying, minimizing and preventing risk exposures through employment of a Safety Director and regular inspections of City facilities; providing educational training videos for City employees; receiving and responding to complaints about City activities or employees allegedly causing personal injury or property damage; managing the fire, boiler and machinery, and other casualty insurance coverage for City-owned properties; and, handling workers' compensation claims from City employees. Murfreesboro is a self-insured city for workers' compensation and liability claims and has created the Risk Management Fund for this purpose. The City Attorney is the Administrator of the Risk Management Fund and coordinates with the Risk Management Committee.

The City's Legal Department has four full time lawyers providing legal services to all of the City's departments, which include the City Attorney, Assistant City Attorney, Staff Attorney and Risk Manager/Staff Attorney.

Parks and Recreation

The Murfreesboro Parks and Recreation Department is responsible for program planning and the operation and maintenance of the City's parks and recreation facilities. During FY 03, the department completed the renovation of the McKnight Park 4-field baseball/softball complex. New lighting, irrigation, a central concession/restroom facility and a new picnic pavilion were included in the renovation work, received a 4-Star Award from the Tennessee Parks and Recreation Association. Construction was initiated on two wetlands projects: Oakland Springs and Murfree Springs. The city neared completion on Patterson Park Community Center and campus, which includes the 95,000-square foot expansion of the existing community center. The Center includes indoor water park, 304-seat dramatic arts auditorium, fitness/wellness facility, dance studio, 2 gymnasiums, walking/jogging track, conference area with a learning center/library, game room and 2 racquetball courts. Also construction included tennis and basketball courts, parking and allied facilities. Planning continues for the design of the 6 ½-mile extension of the Stones River Greenway from Old Fort Park to Barfield Crescent Park. The Master Plan for the 15-acre Siegel Educational/Recreational Park at Regency Park Drive was completed and construction funds sought.

Personnel

In FY 03, the City of Murfreesboro Personnel Department received 2036 applications for 55 full-time positions and 1371 applications for 93 part-time positions. The Personnel Department worked with the Risk Management committee to recommend to the Mayor and members of the Murfreesboro City Council the implementation of Physical Ability Testing for the most physically demanding entry-level positions. The City's Personnel Director served as president of the local Rutherford County Personnel Association for the past year.

Planning, Engineering, Traffic, and G.I.S.

The Planning and Engineering Department is responsible for coordinating the physical development of the City. The G.I.S. Section of the Department provides digital mapping services for all City departments and the public. The Traffic Section coordinates the City's traffic program. The Planning Section coordinates the agendas for the Murfreesboro Planning Commission, the Board of Zoning Appeals, and the Historic Zoning Commission and assures public input on a variety of issues including annexations, rezonings, R.O.W. actions, and ordinance amendments.

During FY 03 the Planning Department reviewed 45 preliminary plat involving 1,537 residential lots, 90 final plats involving 1,439 residential lots, and 102 site plans involving a variety of commercial and multiple family dwellings. The Planning Commission conducted public hearings on 60 items involving annexations, rezonings, and ordinance amendments and provided recommendations for each to the City Council.

The Board of Zoning Appeals conducted 98 public hearings to consider a variety of applications for variances of setback requirements, variances of the sign ordinance, and special use permits. The Historic Zoning Commission considered 26 applications for certificates of appropriateness.

During FY 03 the department initiated and coordinated work on the Maney Avenue Comprehensive Plan, the Gateway Master Plan, and the Gateway Design Overlay District. The department has also been charged with developing changes to the City's development regulations to address small lot and downsized home developments.

Engineering

City roadway projects completed in FY 03 include:

- Joe B. Jackson Parkway from I-24 to US 41
- Sanbyrn Drive widening from South Church Street to US 41
- Rideout Lane extension
- Medical Center Parkway (Phase 2)

City roadway projects bid in FY 03 include:

- Medical Center Parkway (Phase 3)
- Manson Pike from Fortress Boulevard to Blackman Road

The department is additionally involved in a wide array of drainage projects, and in FY 2002-2003 bids were received on the Manson Pike/Thompson Lane Area Drainage Improvements Project in the vicinity of the City owned property.

Traffic

The Traffic Department currently manages 101 signalized intersections of which 51 are currently interconnected and addressable from the Traffic Operations Center located at City Hall. The City has additionally received adoption through the Metropolitan Planning Organization's Executive Board for inclusion of a CCTV system expansion project into the regional Transportation Improvement Program. This expansion will add an additional seven (7) cameras to the existing nineteen (19) already in operation. The project will additionally interconnect nine (9) existing signalized intersections to the current system. The City has also successfully integrated the existing CCTV cameras into the City's website for remote on-line viewing. The combination of interconnected traffic signals and CCTV cameras accessible from the Traffic Operations Center provide invaluable assistance in providing optimal intersection operations throughout an ever expanding city.

Murfreesboro Police Department

The year 2003 brought many changes to the Murfreesboro Police Department. Listed below are some of our accomplishments this year:

Uniformed Division

In January we issued toboggan style watch caps to all officers for greater warmth in the elements.

The Traffic Division of Murfreesboro Police Department received a grant of \$70,123 to replace (2) two motorcycles, add eight mm video equipment to the motorcycles, and purchase additional equipment for the Special Operations Unit.

We initiated the Noise Abatement Program after numerous citizen complaints of loud music. We utilized an unmarked unit during peak times and issued 155 (one-hundred fifty-five) citations for loud music from May 23 – July 18. Complaints of this nature continue to decline.

In order to keep our youngest citizens safe, we trained an additional five (five) Child Passenger Seat Technicians for a total of 12 (twelve) technicians.

Murfreesboro Police personnel participated in all Tennessee State Click It or Ticket and Booze It and Lose It enforcement campaigns to reduce fatalities in our city.

We initiated the "boot" system to enforce excessive violations of timed parking with a total of 12 vehicles being "booted" and collected a total of \$4,592.

Murfreesboro Police hosted Radar/Laser Instructor classes and Supervising Selective Traffic Enforcement Program (STEP) classes that were conducted by IPTM.

Homeland Security and Special Operations Unit (SOU)

Three (3) additional personnel were selected, trained, and added to the SOU Team for a total of twelve (12) members.

Training attended in 2003 and number of SOU Team Members attending:

- Incident Command – Train the Trainer - 9
- Law Enforcement Response to WMD - Train the Trainer - 1
- Chemical Protective Clothing Team - 3
- Post Bomb Blast - 2
- Evidence Recognition and Collection: Post Event Threat and Risk Assessment - 3

In conjunction with the Rutherford County Emergency Management Agency (RCEMA), police personnel completed the Threat and Vulnerability Assessment for the City of Murfreesboro.

Future Plans of the Special Operations Unit

Train all personnel in WMD/Hazmat Awareness and Incident Command System by year-end 2004.

Receive additional, advanced training for all SOU members in WMD incidents and purchase specialized equipment for response.

Grants

Part I funds anticipated March 2004 - \$45,600.

Part II funds anticipated November 2004 - \$151,253.

Overtime funds approved - \$106,186 to be used for overtime in WMD Classes, providing extra trained personnel for Homeland Security related events and activities.

Information Systems

Information Systems staff has completed the following:

Installation of mobile data computers, modems and GPS was completed for an additional three (3) marked patrol cars and two (2) fire vehicles. This places our Mobile Data Fleet at 125 vehicles in operation.

The Main Police Building's network wiring project has been completed. Network connections have been replaced on every floor and a fiber backbone installed between floors.

Re-allocation of existing computer equipment was performed throughout the year. Desktop computers have been upgraded to Windows 2000 and Office 2000.

Conversion of SDL records data has been completed. Conversion of Pawn records and GEO files has begun.

Wireless Data Network project that connects all Fire Stations and Police Precincts to the Main Police Building has been implemented successfully.

Replacement for the Fire Record Management System (FRMS) with an upgraded Windows SQL version has been finalized. Information for calendar year 2003 has been entered. Training on some modules is in progress.

Relocation of the Records Section information system infrastructure to 314 South Church Street due to the Communication relocation project has been completed.

The conversion of Computer-Aided Dispatch (CAD) data has begun in anticipation of migrating to the newer Windows-based CAD System during the relocation of Communications.

Relocation of the Communications Section information system infrastructure, two-way radio communications and 911 / telephone systems are 95% complete.

Preliminary design of controlled access systems and video surveillance are underway.

The Community Policing Sites were wired for network access.

Solid Waste Department

The Solid Waste Department provides once per week curbside garbage collection. The City of Murfreesboro provides this service using automated side loaders. The City of Murfreesboro has an agreement with BFI's Middle Point landfill for free disposal of garbage. In 2002, this agreement saved the City over \$1,019,938 in tipping fees.

During the 2nd and 3rd quarter (April, May, June, July, August, September) 2002 the Solid Waste department diverted from the landfill 36,492 cubic yards of yard waste (9,123 tons). During the same six-month period this year the solid waste department mulched and diverted 92,300 cubic yards of yard waste (23,075 tons). This represents a 60.46% growth in yard waste in this six-month period.

St. Clair Street Senior Center

The St. Clair Street Senior Center offers an array of services and activities for individuals 60 years of age and over at the facility located at 325 St. Clair Street. During the past year the Senior Center provided a record number of seniors 3,835 with 136,123 units of service in a variety of areas.

There were several highlights during the past year. A Wine and Cheese reception was held in May to benefit the Senior Center sponsored Adult Day Care Program. Over \$7,000 was raised to help bridge the gap between user fees and operating expenses. In September 2002, this program received a local governmental award from the Greater Nashville Regional Council for excellence in aging programs.

In October, bids were opened and awarded for the purchase of a wheel chair accessible 20 passenger mini-bus. The larger vehicle allowed more participants to take advantage of Center sponsored day trips to various points of interest in the Middle Tennessee area.

The new Caregiver Resource and Education Center opened in March 2002. Operating in a partnership with the Alzheimer's Association of Middle Tennessee Chapter, this part time program provides counseling and information on local resources for individuals caring for an older loved one living at home who is ill or frail.

A consortium of staff from local agencies and the Senior Center sponsored the 9th Annual Dynamics of Elderly Caregiving Alzheimer's Summit in April 2002. Dr. Peter Rabins, noted physician and author of the "Thirty Six Hour Day" was keynote speaker.

The Senior Center received an Arts Build Community grant of \$2,270 for "Theater Through the Ages" in September. This program united volunteers from Murfreesboro Little Theater, a high school drama class and Senior Center participants in a musical production presented at a local elementary school, Veteran's Administration Hospital and the Senior Center.

Street Department

The Street Department is responsible for the maintenance of approximately 375 lane miles of streets and the entire storm drainage system within the city. Normal maintenance and some new installations are performed in-house. Larger projects are accomplished with independent contractors by way of annual contracts. Hoover, Inc. paved approximately 50 lane miles of city streets this year at a cost of \$804,679. Rollins Construction Company performed \$279,820 worth of storm drainage improvements through our annual concrete and storm drainage contract. Our department has issued 238 right of way construction permits during the last twelve months.

Urban Environmental

The Urban Environmental Department maintains plants, flowers and trees on City properties and rights-of-way to improve the aesthetic environment of the City. The department also reviews landscape site plans, administers the tree ordinance and landscape ordinance.

During the 2003 year the Urban Environmental Department provided staff input and has overseen the landscape installation at the Discovery Center at Murphy Springs, the Oaklands Mansion 'Trail of Trees' and the new Medical Center Parkway. The department took over all landscape maintenance of the Discovery Center in June of this year and has recently taken over the landscape maintenance of the 'Trail of Trees' at Oaklands. Other significant accomplishments by the Urban Environmental Department are as follows:

- Earth Day/Green Power Day Celebration - the department, working with MED launched its first Earth Day celebration on the Civic Plaza. Over 500 people attended the celebration and the department handed out 500 Oak tree seedlings along with multiple types of educational materials relating to tree topping and tree care
- May Tornado Clean-up - the department contributed over 800 man hours to the cleanup effort and over 1000 equipment hours were logged across the City, clearing streets and removing storm debris from storm damaged areas.
- One Block at a Time Initiative - the department contributed over 170 Tree Division man-hours to the improvement of the 400 block of East College Street by removing all dead or dying trees in this block. The Landscape Division replanted 18 new shade or ornamental trees as part of the reforestation efforts.
- Stones River Greenway Arboretum Designation - the department applied for and received official notification that the Stones River Greenway Arboretum has been certified as a Type I arboretum by the Tennessee Urban Forestry Council and the Tennessee Federation of Garden Clubs, Inc.
- Civic Pride Awards Program - the department reestablished this program in 2003 and launched the new program with the use of the City's web page making it more people friendly and accessible.

Water and Sewer

O&M

1. Replaced 10,100 LF of sanitary sewer.
2. Replaced 650 LF of 2'' galvanized with 8''.
3. Installed 1,700 LF of new 8'' waterline
4. Televised 300,000 LF of sanitary sewer.
5. Cleaned and pressured washed 350,000 LF of sanitary sewer.
6. Replaced approximately 15 sanitary sewer manholes.
7. Purchased (2) Cobra Closed Circuit T.V. units
8. Purchased (1) Jet Wash Vacuum Combination Unit
9. Installed 15,095 LF of 1'' and 2'' copper service line.
10. OM has connected 1,339 properties to sanitary sewer.

Wastewater Plant

1. W. Rogers Construction Co. DeJarnette Lane pump station is on line.
2. Caldwell Tanks started repurified water tank at POTW site.
3. Staff replaced all four Parkson Hycor head works screens without outside contractor.
4. Pilot filter testing has begun using membrane filter.
5. Plant staff rebuilt four final clarifiers.

6. Reworked the computer system for better operation for the Fournier press. (Fournier did the work) This improved production and decreased off line time from alarms and failures that the system was seeing all the time.
7. Staff redesigned the discharge of the hydraulic press on the screenings discharge for better operation and less head.
8. Staff replaced Smith & Loveless pista grit and controls for a Gorman Rupp pump and controls. This is a much simpler system that will work much better. We have already replaced the same thing on the North Pista grit and it has worked really well ever since.
9. Upgraded lab building elevator to meet today's specs.
10. Staff replaced ammonia lab water still with a new one.
11. Staff replaced odor control system in sludge holding with a larger one.
12. Pumped 37MGD Feb. 16th and treated it. We had several high flow events this year.
13. Staff updated the emergency response plan.
14. Installed a new cover over the diesel pump at the head works to meet the new storm water permit.
15. Replaced carrousel transformer.
16. Trial testing of Vogelsang pump to replace existing pumps for biosolids.
17. Installed a repurified water system on main pumping station water seal to reduce use of potable water.
18. Staff rebuilding Fournier presses after initial 18 months of operation.
19. Staff rebuilt several pumps in house as needed this year.
20. Rebuilt UV system as recommended by the manufacturer the after initial 5300 hours of operation.
21. Rebuilt a 500 HP main pump station pump.
22. Covered the sand filter clear well to lower algae growth.
23. Installed (W&O Construction Co.) high output pumps, repurified water lines, chemical pumps, and tanks for repurified water.
24. Replaced the air system in the head works building.
25. Parkson Corp (Hycor) is using our head works screens as a test bed to try new products. They are doing this because they like the way we do things, and they like the way our maintenance staff does what they do and know what they know. What it has meant to the city is we end up with new parts at no cost sometimes to test.
26. Helped the city of Greenbrier with plant problems and odor control. Talk with several cities in the US about plant trouble, but lately it has been Fournier more than anything.

Water Plant

Laboratory Accomplishments:

1. The purchase of a TOC Analyzer for the purpose of analyzing Total Organic Carbon for regulatory requirements, and an RO/DI system for higher water quality and quantity for the Water Quality Laboratory.
2. The certification of our Water Quality Laboratory for analyzing Total Organic Carbon and Analytical recertification that is good for another three years.
3. The completion of EPA's Unregulated Contaminant monitoring and Radionuclide monitoring.

Maintenance Accomplishments:

1. The completion of concrete repairs at the treatment plant to stop water leaks in pipe gallery, repair water damaged concrete where concrete had deteriorated due to the freeze-thaw cycle over the years and repair construction joints that were in need of replacement due to their life span.
2. The purchase of a 2.5-ton split type heat/air for the high service pump station control room to regulate the temperature and prevent electrical failure in the motor control center, storage building, power drain cleaner for maintenance of the facilities drains and reduces the cost for outside contractors, standby power for the telemetry system at the water treatment plant, and a washer and dryer to clean rugs and coveralls for better maintenance of assigned equipment.

Operational Accomplishments:

1. Effective emergency response during the power outages at the water treatment plant for 8 hours 5 minutes on May 11, 2003 and for 11 hours and 42 minutes on August 4, 2003.
2. The conducting of a plant trial to find a new enhanced coagulant for improved water quality and reducing overall operational costs.
3. The installation of a 12-channel recorder used as a backup means for regulatory filter historical data, and the replacement of a 90° bend on the lime delivery line that was worn beyond repair.

Safety Accomplishments:

1. The purchase and installation of several key pieces of safety equipment to include an Automated External Defibrillator, emergency exit signs with emergency lighting, fluorescent lighting with 4-hour battery packs, fluorescent lighting to replace some of the incandescent lighting, five full-face respirators, and a dock leveler.
2. The replacement of eight exterior light fixtures for the settling basins that have been out of service for several years.
3. Requiring a minimum of two operators per shift for safety and security of personnel and ensuring the highest water quality.

Security Accomplishments:

1. The repair of a twenty-foot section of fence at the water treatment plant
2. The installation of Federal Offense warning signs at all water storage tank locations, bollards at the entrance to the lake raw water intake facility, an 8-foot high fence around the old power generating building at the Walter Hill dam for safety and security of the public and the facility.
3. The clearing of the fence line at the water treatment plant and removal of specific trees and stumps that could potentially cause security problems and/or operational problems with causing a power outage.

Other Accomplishments:

1. The completion of a Vulnerability Assessment of the water system.
2. The Top-Ops team from the water treatment plant finished second place at the Kentucky/Tennessee Section AWWA Annual Conference and Exposition.
3. The disposal of aluminum materials for an amount of \$114.00 revenue to the Department.
4. Received bids for Phase I construction of an Operations Building for the WTP and awarded a contract to RCR.

Engineering

1. Located 30% of Department in ground asset with GPS.
2. 26,288 feet of water line installed.
3. 69,836 feet of gravity sewer installed.
4. 984 feet of force main installed

Accounting System and Budgetary Control

In developing and maintaining the City's accounting system, consideration is given to internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognized that: (1) the cost of a control should not exceed the benefits likely derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard and provide reasonable assurance of proper recording of the financial transactions.

The City charter provides that the City Council shall adopt the annual budget prepared by City Management. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revision that alters the total expenditures of any fund must be approved by the City Council.

Accounting System and Budgetary Control

Budget control has been established at the individual level. Financial reports are produced showing budget and actual expenditures by the line item and are distributed monthly to City departmental and divisional management and others upon request.

General Fund

The General Fund is used to account for expenditures of traditional government services as well as financial resources other than those required to be accounted for in other funds.

General fund revenues totaled \$60,475,712 in fiscal 2003, an increase of 4.24% from fiscal 2002. General property taxes produced 42.12% of general fund revenues compared to 41.98% last year. General fund increases and decreases over last year are shown in the following tabulation:

Revenue Source -	Amount	Percent of Total	Increase (Decrease) From 2002	Percent Increase (Decrease) From 2002
Property taxes	\$ 25,478,328	42.13 %	\$ 1,122,349	4.61 %
Other local taxes	21,605,215	35.73	960,182	4.65
Licenses, permits, fines	3,887,346	6.43	190,277	5.15
Inter-governmental	6,571,561	10.87	(37,995)	(0.57)
Charges for services	498,950	0.83	133,690	36.60
Interest	245,258	0.41	(58,862)	(19.35)
Miscellaneous	2,189,054	3.60	151,699	7.45
	<u>\$ 60,475,712</u>	<u>100.00 %</u>	<u>\$ 2,461,340</u>	<u>4.24 %</u>

General Fund expenditures for general government purposes totaled \$35,110,757, an increase of 7.57% from fiscal 2002. Increase (decrease) in levels of expenditures for major functions of the City over the preceding year are shown in the following tabulation:

Function -	Amount	Percent of Total	Increase (Decrease) From 2002	Percent Increase (Decrease) From 2002
Administration and general	\$ 10,101,354	28.77 %	\$ 932,490	10.17 %
Police and fire protection	16,277,543	46.36	791,627	5.11
Legal and judicial	635,226	1.81	(87,838)	(12.15)
Personnel	350,039	1.00	33,586	10.61
Streets	2,364,733	6.74	61,644	2.68
Planning and engineering	1,522,269	4.34	124,798	8.93
Other	1,669,539	4.76	481,267	40.50
Building inspections	789,533	2.25	38,897	5.18
Urban environmental	337,918	0.96	26,527	8.52
Public health, safety, other	1,062,603	3.01	66,532	6.68
	<u>\$ 35,110,757</u>	<u>100.00 %</u>	<u>\$ 2,469,530</u>	<u>7.57 %</u>

Capital Project Funds

Proceeds of General Obligation Bond issues are accounted for in Capital Project funds until improvement projects are completed. During 2003, a total of \$18,392,307 was expended on projects including street and drainage improvements, traffic improvements, parks, recreation, and general facilities.

Water and Sewer System

The City's water and sewer system continued to show gains in operating revenues, number of customers, and net income. Comparative data for the past two fiscal years are presented in the following tabulation:

	<u>2003</u>	<u>2002</u>
Gross revenues including interest earned	\$ 18,421,275	\$ 17,929,723
Operating expenses, excluding depreciation and including operating transfers	10,901,787	9,899,664
Income available for debt service	7,519,488	8,030,059
Coverage (revenue available for debt service divided by annual debt service)	4.95	5.29

Electric System

The City's electric system also continued to show gains in operating revenues, number of customers, and net income. Comparative data for the past two fiscal years are presented in the following tabulation:

	<u>2003</u>	<u>2002</u>
Gross revenues including interest earned	\$ 73,136,230	\$ 67,984,679
Operating expenses, excluding depreciation and including operating transfers	67,912,598	62,924,428
Income available for debt service	5,223,632	5,060,251
Coverage (revenue available for debt service divided by annual debt service)	4.56	4.30

Debt Administration

The ratio of net bonded debt to assessed valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to municipal management, citizens, and investors. This data for the City of Murfreesboro for the last two fiscal years are presented in the following tabulation:

	<u>2003</u>	<u>2002</u>
General and Contractual Obligation Bond Debt	\$ 12,670,000	\$ 16,770,000
Ratio of net bonded debt to assessed value	.70%	1.17%
Net bonded debt per capita	\$ 127.44	\$ 180.51

Cash Management

Cash temporarily idle during the year was invested in bank savings accounts, certificates of deposit, and U.S. Government Securities. The City's investment policy is to invest with the safety of principal, liquidity, yield, maturity, and quality being of primary importance. All deposits were insured by federal depository insurance or collateralized. All collateral on the deposits was held in the Tennessee Bank Collateral Pool.

Risk Management

During the fiscal year ended June 30, 1988, the City initiated a Self-Insured Retention program in order to deal with the potential liabilities. As of the end of the fiscal year, it was estimated that the loss reserve was \$2,175,000, which represents the discounted present value of expected losses and includes claims incurred but not yet reported.

As of June 30, 2003, the risk management fund had fund equity of \$3,360,050.

Employee Health Plan

The City maintains an employee health plan for employees and dependents which is self-insured by the City. Revenues are recognized from payroll deductions from employees and from the City contributions for employee coverage. The plan is administered by Blue Cross/Blue Shield of Tennessee. The City has excess coverage on individual claims over \$500,000 and on claims for transplant surgery.

As of the end of the fiscal year, it was estimated that the loss reserve was \$277,331, which represents the discounted present value of expected losses and includes claims incurred but not yet reported.

As of June 30, 2003, the employee health insurance fund had fund equity of \$717,355.

OTHER INFORMATION

Independent Audit

State statutes require an annual audit by the State Comptroller's Office or by a certified public accountant. The City engaged the firm of Jobe, Hastings & Associates, Certified Public Accountants, to perform the 2002-2003 audit. The auditor's report has been included in this report.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Murfreesboro for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2002. The Certificate of Achievement is a prestigious national award, recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

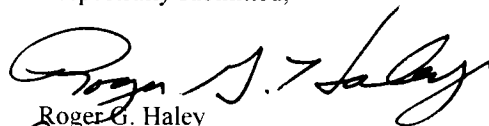
A Certificate of Achievement is valid for a period of one year only. The City of Murfreesboro has received a Certificate of Achievement for the last four consecutive years. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

Acknowledgements

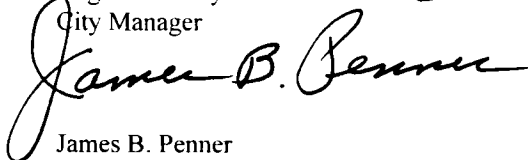
The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Finance department. Appreciation is expressed to City employees throughout the organization, especially those who were instrumental in the successful completion of this report.

We would like to thank the members of the City Council for their interest and support in planning and conducting the financial operation of the City in a responsible and progressive manner.

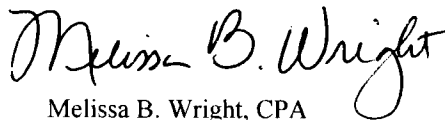
Respectfully submitted,



Roger G. Haley
City Manager



James B. Penner
City Recorder/Finance Director

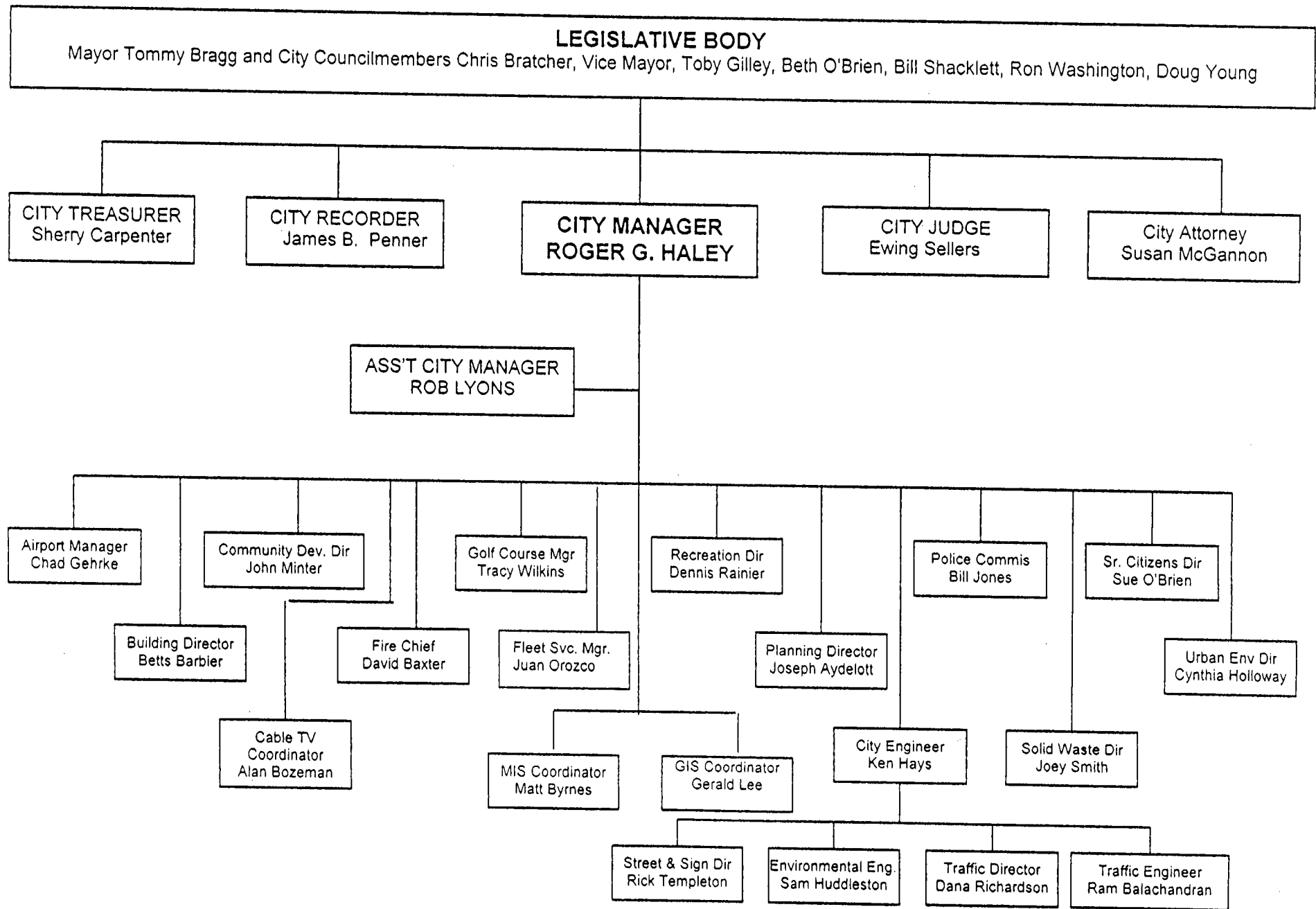


Melissa B. Wright, CPA
Assistant City Recorder/Chief Accountant

CITY OF MURFREESBORO, TENNESSEE
CITY OFFICIALS
JUNE 30, 2003

MAYOR	Tommy Bragg
CITY COUNCIL	Chris Bratcher Doug Young Bill Shacklett Tolbert Gilley, III Ronald Washington Beth O'Brien
CITY MANAGER	Roger G. Haley
ASSISTANT CITY MANAGER	Robert J. Lyons
CITY RECORDER/FINANCE DIRECTOR	James B. Penner
ASSISTANT CITY RECORDER/CHIEF ACCOUNTANT	Melissa B. Wright
CITY ATTORNEY	Susan McGannon
CITY TREASURER/PERSONNEL DIRECTOR	Sherry Carpenter
SUPERINTENDENT OF SCHOOLS	Marilyn Mathis
PLANNING DIRECTOR	Joseph Aydelott
DIRECTOR OF BUILDING DEPARTMENT	Betts Barbier
COMMISSIONER OF POLICE	Bill L. Jones
RECREATION DIRECTOR	Dennis Rainier
GOLF COURSE GENERAL MANAGER	Tracy Wilkins
CITY ENGINEER	Kenneth N. Hayes
COMMUNITY DEVELOPMENT COORDINATOR	John Minter
CHIEF, FIRE DEPARTMENT	David Baxter
SUPERINTENDENT, SOLID WASTE DEPARTMENT	Joey Smith
WATER AND SEWER DIRECTOR	Joe Kirchner
ELECTRIC DEPARTMENT DIRECTOR	Larry Kirk
DIRECTOR, SENIOR CITIZENS CENTER	Sue O'Brien
CITY HORTICULTURIST/LANDSCAPE DESIGNER	Cynthia Holloway
CITY JUDGE	Ewing Sellers
CABLE TELEVISION COORDINATOR	Alan Bozeman
AIRPORT MANAGER	Chad Gehrke
DIRECTOR OF STREET AND SIGN DEPARTMENT	Rick Templeton

CITY OF MURFREESBORO - ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Murfreesboro,
Tennessee

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

JOBE, HASTINGS & ASSOCIATES

Certified Public Accountants

Joel H. Jobe, CPA, CMPE

Donna K. Hastings, CPA

James R. Jobe, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Murfreesboro, Tennessee

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Murfreesboro, Tennessee, as of and for the year ended June 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Murfreesboro, Tennessee's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Murfreesboro City Schools, the Murfreesboro Electric Department, the Murfreesboro Water and Sewer Department, the Murfreesboro Electric Department Pension Plan, and the Evergreen Cemetery Commission whose statements reflect total assets of \$15,213,260, \$66,826,232, \$228,380,785, \$8,549,258, and \$1,687,862, respectively, and total revenues of \$37,728,723, \$73,136,230, \$18,421,275, \$908,098, and \$435,390, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Murfreesboro City Schools, the Murfreesboro Electric Department, the Murfreesboro Water and Sewer Department, the Murfreesboro Electric Department Pension Plan, and the Evergreen Cemetery Commission is based upon the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Murfreesboro, Tennessee, as of June 30, 2003, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2003 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



The management's discussion and analysis, pension trend data, and budgetary comparison information for major governmental funds on pages three (3) through fourteen (14) and fifty-six (56) through sixty-five (65) are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures to the management's discussion and analysis, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The pension trend data and budgetary comparison information for major governmental funds has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion based on our audit and the reports of other auditors, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Murfreesboro's basic financial statements. Other information listed in the supplemental section, and the information listed in the statistical section in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and are not a required part of the basic financial statements of the City of Murfreesboro, Tennessee. Such information, except for the statistical information marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion based on our audit and the reports of other auditors, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Certified Public Accountants

Murfreesboro, Tennessee
December 10, 2003

CITY OF MURFREESBORO

Management's Discussion and Analysis

June 30, 2003

The following discussion and analysis of the City of Murfreesboro's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2003. Management encourages readers to consider the information presented here in conjunction with the additional information presented in our letter of transmittal, which can be found on pages i - xiv of this report.

FINANCIAL HIGHLIGHTS

- The assets of the City of Murfreesboro exceeded its liabilities at June 30, 2003 by \$388,616,224. Of this amount \$53,087,559 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$46,946,684 (14 percent) during the year. The governmental net assets increased by \$36,915,838 (27 percent) and the business-type net assets increased by \$10,030,846 (5 percent).
- As of June 30, 2003 the City's governmental funds reported combined fund balances of \$40,042,452, a decrease of \$58,468 (.15 percent) in comparison with the prior year. The unreserved, undesignated portion of the governmental fund combined fund balance is \$36,517,982 and is available for spending at the city's discretion.
- At the end of the year the unreserved fund balance for the general fund was \$22,086,973, or 63 percent of the total general fund expenditures.
- The City of Murfreesboro's total debt increased by \$1,492,175 (.91 percent) during the year ended June 30, 2003.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Murfreesboro's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide a broad overview of the City's finances, in a manner similar to a private-sector business. These statements present *governmental activities* and *business-type activities* separately. Governmental activities are principally supported by taxes and intergovernmental revenues and include administrative and general, police, fire protection, judicial, legal, personnel, streets, planning and engineering, building inspections, sanitation, urban environmental, public health, safety and

other, other governmental activities, recreation, community development, education, and food service. Business-type activities are supported through user fees and charges and include a water and sewer operation, an electrical distribution operation, and a cemetery. The government-wide financial statements can be found on pages 15 - 17 of this report.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Murfreesboro is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Fund Financial Statements

A fund is established to account for a specific activity or purpose. Law mandates the creation of some funds. Other funds are established by management to demonstrate financial compliance with budget or legal requirements. All of the funds of the City of Murfreesboro can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for most of the City's basic services. The governmental fund statements provide a detailed short-term view of the City's general government operations by using a modified accrual accounting method, which measures cash and all other financial assets that can be readily converted to cash. Governmental fund information is useful in determining whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The differences of results in the governmental fund financial statements to those of the government-wide financial statements are explained in a reconciliation following each governmental fund statement.

The City of Murfreesboro maintains thirty-three (33) individual governmental funds. Information is presented separately in the governmental fund statements for the general fund, the general purpose school fund, the debt service fund and the 2001 TML loan fund, which are considered to be major funds. Data from the other twenty-nine (29) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in combining statements in the supplemental section of this report.

The basic governmental fund financial statements can be found on pages 18 – 22 of this report.

Proprietary Funds

There are two types of proprietary funds: *enterprise funds* and *internal service funds*.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements, only in more detail. The City's water and sewer department and electric department are considered to be major funds and are displayed separately in the proprietary fund statements on pages 23 – 26 of this report. The City's other three (3) enterprise funds are combined into a single column for non-major funds.

Internal service funds are used to account for activities that provide supplies and services for the City's other programs and activities. Because these services predominantly benefit governmental functions, they have been included within *governmental activities* in the government-wide financial statements. The City of Murfreesboro uses internal service funds to account for its fleet maintenance of vehicles and for its self-insurance programs. They have been combined into a single column in the proprietary fund financial statements on pages 23 – 26 of this report. Detailed financial data for those funds can be found in the combining statements in the supplemental section of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund statements can be found on pages 27 – 28 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 - 55 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. This section also includes budgetary comparison schedules for certain major governmental funds. Required supplementary information can be found on pages 56 - 65 of this report.

The combining statements referred to earlier in connection with the non-major governmental funds, non-major enterprise funds and internal service funds are presented immediately following the required supplementary information on pensions and certain budgetary comparison schedules. Combining statements and individual fund schedules can be found on pages 66 – 116 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$388,616,224 at June 30, 2003. The largest part of the City of Murfreesboro's net assets (77 percent) reflects its investment in capital assets (land, buildings and improvements, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The largest change in net assets is the portion invested in governmental activities capital assets, net of related debt. Approximately 60% of the \$31,564,804 increase in governmental activities capital assets, net of related debt. The table below focuses on the net assets of the City's governmental and business-type activities:

NET ASSETS June 30, 2003

	Governmental Activities		Business-type Activities		Total	
	2003	2002 (Restated)	2003	2002	2003	2002 (Restated)
Current and other assets	\$ 88,551,913	\$ 83,989,068	\$ 28,340,759	\$ 33,602,179	\$ 116,892,672	\$ 117,591,247
Capital assets	184,310,952	152,746,148	267,863,491	249,583,375	452,174,443	402,329,523
Total assets	272,862,865	236,735,216	296,204,250	283,185,554	569,067,115	519,920,770
Long-term liabilities outstanding	93,855,015	96,148,837	72,190,415	68,404,418	166,045,430	164,553,255
Other liabilities	7,753,496	6,247,863	6,651,965	7,450,112	14,405,461	13,697,975
Total liabilities	101,608,511	102,396,700	78,842,380	75,854,530	180,450,891	178,251,230
Net assets:						
Invested in capital assets,						
net of related debt	103,037,574	69,260,622	195,102,675	180,697,510	298,140,249	249,958,132
Restricted	22,481,893	19,350,972	14,906,523	20,345,827	37,388,416	39,696,799
Unrestricted	45,734,887	45,726,922	7,352,672	6,287,687	53,087,559	52,014,609
Total net assets	\$ 171,254,354	\$ 134,338,516	\$ 217,361,870	\$ 207,331,024	\$ 388,616,224	\$ 341,669,540

There are 9 percent of the City's net assets that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets (\$53,087,559) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the fiscal year, the City of Murfreesboro is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for governmental and business-type activities.

Governmental Activities

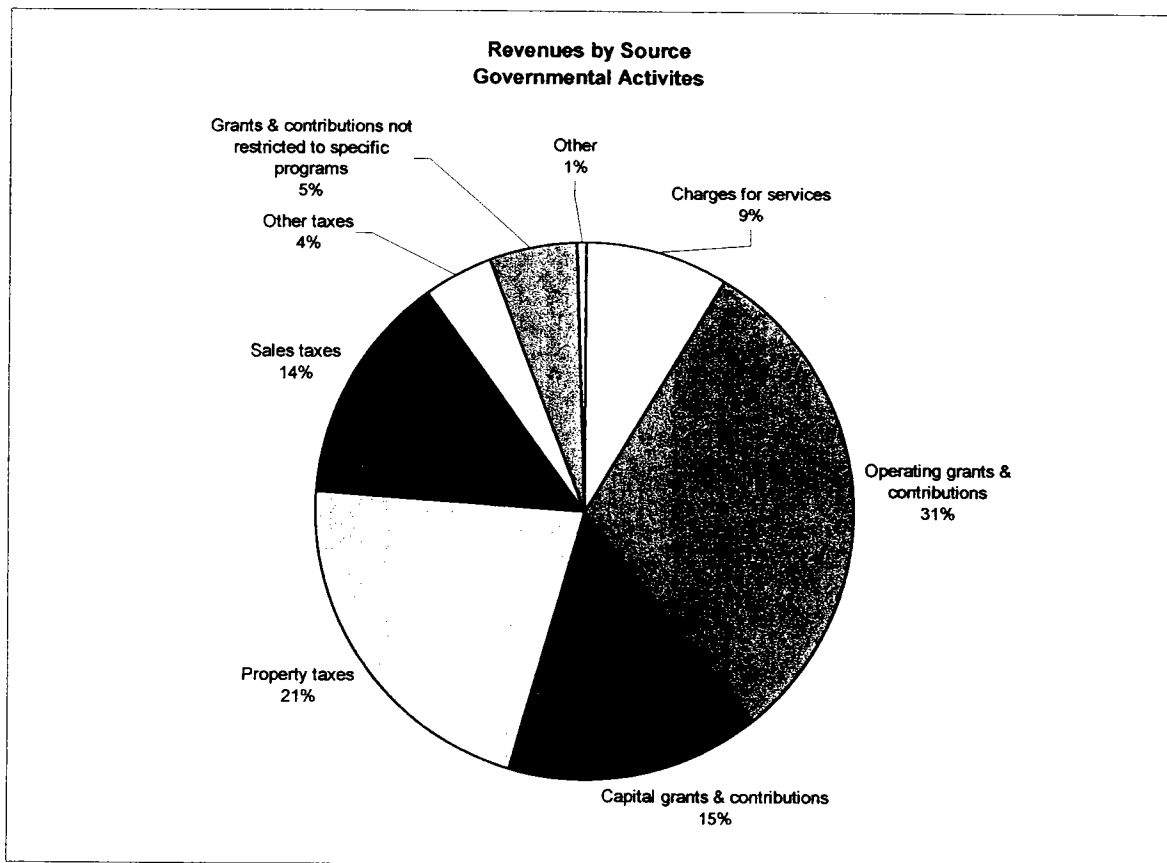
Governmental activities increased the City of Murfreesboro's net assets by \$36,915,838 thereby accounting for 79 percent of the total growth in the net assets. Key elements of this increase are as follows:

CHANGES IN NET ASSETS

June 30, 2003

	Governmental Activities		Business-type Activities		Total	
	2003	2002 (Restated)	2003	2002	2003	2002 (Restated)
Revenues:						
Program revenues:						
Charges for services	\$ 10,781,770	\$ 10,954,667	\$ 91,139,156	\$ 84,965,483	\$ 101,920,926	\$ 95,920,150
Operating grants & contributions	38,795,216	36,035,340	68,341	85,815	38,863,557	36,121,155
Capital grants & contributions	19,385,562	17,491,210	7,726,149	7,856,270	27,111,711	25,347,480
General revenues:						
Property taxes	27,185,759	25,505,867			27,185,759	25,505,867
Other taxes	22,719,035	21,465,618			22,719,035	21,465,618
Grants & contributions not restricted to specific programs	6,720,868	6,988,901			6,720,868	6,988,901
Other	797,228	1,007,724	732,573	1,212,399	1,529,801	2,220,123
Total revenues	\$ 126,385,438	\$ 119,449,327	\$ 99,666,219	\$ 94,119,967	\$ 226,051,657	\$ 213,569,294
Expenses:						
Administrative and general	\$ 9,740,938	\$ 9,466,318			\$ 9,740,938	\$ 9,466,318
Police	10,135,170	10,134,174			10,135,170	10,134,174
Fire protection	7,311,950	6,849,872			7,311,950	6,849,872
Judicial	265,194	258,396			265,194	258,396
Legal	384,252	480,855			384,252	480,855
Personnel	344,507	329,742			344,507	329,742
Streets	4,828,104	3,627,182			4,828,104	3,627,182
Planning and engineering	1,550,385	1,453,396			1,550,385	1,453,396
Building inspections	792,627	753,094			792,627	753,094
Sanitation	2,885,087	2,815,772			2,885,087	2,815,772
Urban environmental	360,213	340,057			360,213	340,057
Public health, safety and other	1,235,539	1,627,425			1,235,539	1,627,425
Other expenses	4,199,885	3,248,602			4,199,885	3,248,602
Recreation	6,622,259	6,780,898			6,622,259	6,780,898
Community development	702,044	734,553			702,044	734,553
Education	38,878,101	38,314,527			38,878,101	38,314,527
Food service	2,026,104	2,006,462			2,026,104	2,006,462
Interest on long-term debt	2,214,072	2,579,226			2,214,072	2,579,226
Water and sewer			\$ 18,491,414	\$ 17,301,578	18,491,414	17,301,578
Electric			70,820,633	65,674,605	70,820,633	65,674,605
Cemetery			312,599	319,380	312,599	319,380
Total expenses	\$ 94,476,431	\$ 91,800,551	\$ 89,624,646	\$ 83,295,563	\$ 184,101,077	\$ 175,096,114
Increase in net assets before contributions and transfers	\$ 31,909,007	\$ 27,648,776	\$ 10,041,573	\$ 10,824,404	\$ 41,950,580	\$ 38,473,180
Contributions to permanent funds			52,825	37,300	52,825	37,300
Gain on sale of assets	4,378,279				4,378,279	
Reduction in estimated landfill post-closure costs	565,000				565,000	
Transfers	63,552	64,185	(63,552)	(64,185)		
Increase in net assets	\$ 36,915,838	\$ 27,712,961	\$ 10,030,846	\$ 10,797,519	\$ 46,946,684	\$ 38,510,480
Net assets - beginning, as restated	134,338,516	106,625,555	207,331,024	196,533,505	341,669,540	303,159,060
Net assets at end of year	\$ 171,254,354	\$ 134,338,516	\$ 217,361,870	\$ 207,331,024	\$ 388,616,224	\$ 341,669,540

The most significant change in net assets is the \$4,378,279 increase due to the gain on the sale of land in fiscal year 2003. This land was sold to a retail facility and a medical facility for future growth. The cost of all governmental activities was \$94,476,431. However, as shown in the Changes in Net Assets table above, 73 percent (\$68,962,548) of these costs were paid by those who directly benefited from the programs, or by other governments and organizations that subsidized certain programs with operating grants and contributions and capital grants and contributions. The City paid for the remaining "public benefit" portion of governmental activities with taxes, general grants and contributions, and other miscellaneous revenue. Each program's net cost to taxpayers is presented below:



Net Program Cost to Taxpayers

Governmental activities:

	Revenue	Expense	Net (Expense) Revenue
Administrative and general	\$ 284,199	\$ 9,740,938	\$ (9,456,739)
Police	519,078	10,135,170	(9,616,092)
Fire protection	373,627	7,311,950	(6,938,323)
Judicial	1,786,322	265,194	1,521,128
Legal		384,252	(384,252)
Personnel		344,507	(344,507)
Streets	20,884,733	4,828,104	16,056,629
Planning and engineering	26,781	1,550,385	(1,523,604)
Building inspections	1,914,342	792,627	1,121,715
Sanitation	271,176	2,885,087	(2,613,911)
Urban environmental		360,213	(360,213)
Public health, safety and other	317,353	1,235,539	(918,186)
Other expenses	1,667,555	4,199,885	(2,532,330)
Recreation	2,498,196	6,622,259	(4,124,063)
Community development	709,832	702,044	7,788
Education	35,675,593	38,878,101	(3,202,508)
Food service	2,001,651	2,026,104	(24,453)
Interest on long-term debt	32,110	2,214,072	(2,181,962)
Total governmental activities	\$ 68,962,548	\$ 94,476,431	\$ (25,513,883)

Governmental net assets for fiscal year 2003 were increased by \$36,915,838 after payment of governmental activities expenses of \$94,476,431 with program revenues of \$68,962,548, general revenues of \$57,422,890, gain on sale of assets of \$4,378,279, reduction in estimated landfill post-closure costs of \$565,000 and transfers of \$63,552. Governmental net assets at June 30, 2003 were \$171,254,354.

Program Expenses Governmental Activities

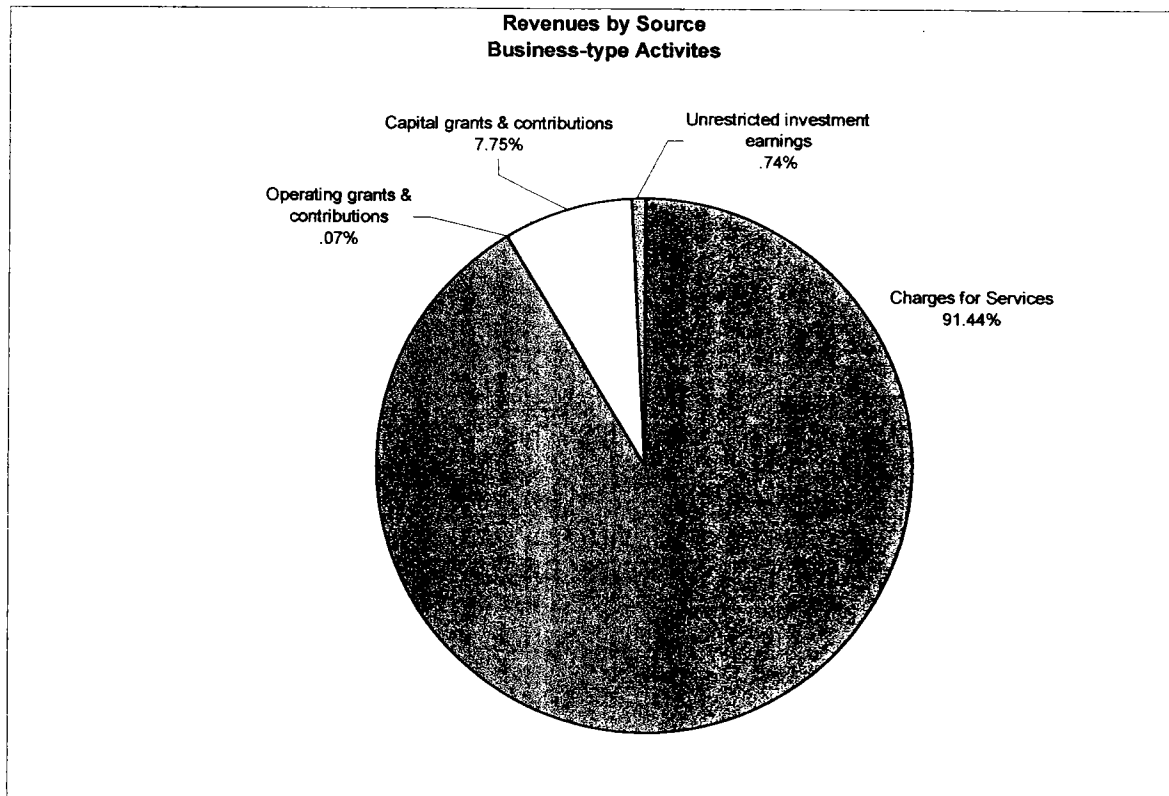
Governmental activities:	Total Expense	Percent of Total		Total Expense	Percent of Total
Administrative and general	\$ 9,740,938	10%	Sanitation	2,885,087	3%
Police	10,135,170	11%	Urban environmental	360,213	1%
Fire protection	7,311,950	8%	Public health, safety and other	1,235,539	1%
Judicial	265,194	0%	Other expenses	4,199,885	4%
Legal	384,252	1%	Recreation	6,622,259	7%
Personnel	344,507	0%	Community development	702,044	1%
Streets	4,828,104	5%	Education	38,878,101	41%
Planning and engineering	1,550,385	2%	Food service	2,026,104	2%
Building inspections	792,627	1%	Interest on long-term debt	2,214,072	2%
			Total governmental activities	\$ 94,476,431	100%

Business-type Activities

The business-type activities increased the City of Murfreesboro's net assets by \$10,030,846, accounting for 21 percent of the total growth of the City's net assets. The business-type activities include a water and sewer operation, an electrical distribution operation and a cemetery. The cost of all business-type activities this year was \$89,624,646. As shown in the Statement of Activities, the amounts paid by users of the operations were \$91,139,156. The additional revenue sources included operating grants and contributions of \$68,341, capital grants and contributions of \$7,726,149, unrestricted investment earnings of \$732,573, and contributions to permanent funds of \$52,825. There were also transfers to other funds of \$63,552.

Expenses and Program Revenues Business-type Activities

	Expenses	Program Revenue	Expense as a % of Revenue
Water & Sewer	\$ 18,491,414	\$ 25,601,486	72%
Electric	70,820,633	72,951,488	97%
Cemetery	312,599	380,672	82%
	<u>\$ 89,624,646</u>	<u>\$ 98,933,646</u>	<u>91%</u>



The Water and Sewer Department experienced an \$863,495 (5 percent) growth in operating revenues due to a 5 percent sewer rate increase and growth in the sewer customer base. An increase in operating expenses of \$1,065,117 (12 percent) was largely due to labor and related costs needed to operate the expanded wastewater treatment plant. The Water and Sewer Department also experienced a \$371,943 (41 percent) decrease in nonoperating revenues due to the use of cash flow for investment in capital assets and falling interest rates. The Electric Department experienced a \$5,252,935 (8 percent) increase in operating revenue due to new customer growth and a return to a normal winter. The Electric Department also had increased employee benefit costs due to higher health insurance costs and higher pension costs as a result of market declines in the pension investment fund. Nonoperating revenues decreased due to cash being used for additional capital improvements and falling interest rates.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

As of June 30, 2003 the City of Murfreesboro's governmental funds reported combined ending fund balances of \$40,042,452, a decrease of \$58,468 in comparison with the prior year. The majority of the decrease in fund balance is from the 2001 TML Fund, which decreased \$2,223,269. This fund is a variable rate loan for which principal drawdowns are made as needed. The General Purpose School Fund had a \$913,799 increase in fund balance because of increased funding from the City General Fund and state funding resulting from

student population growth. The increase in fund balance for Other Governmental Funds is due in large part to the decrease in fund deficit for the Commerce Park Fund. This fund sold several acres of land to a retail facility and a medical facility, resulting in a large gain that was used to offset related debt.

The general fund is the chief operating fund of the City of Murfreesboro. At June 30, 2003, the fund balance is \$22,191,543, a decrease of \$580,420. The City experienced increases in several revenue accounts, including property taxes, sales taxes gross receipts taxes and permits related to the building industry because of the continued growth surge in our area. Along with this growth surge has come the responsibility of providing services to these new residents. The services have increased our employee costs for labor and benefits and funding needs for our schools. Additionally, our area was impacted by a major storm in the spring of 2003. We incurred unexpected costs through our fiscal year-end and beyond into the next fiscal year to clean up and repair the damage. We were able to qualify for FEMA funds for partial reimbursement of these additional costs.

Proprietary Funds

The City of Murfreesboro's proprietary funds provide the same type information found in the government-wide financial statements, but in more detail.

Net assets of the Water and Sewer Department at June 30, 2003 were \$165,364,308, which is an increase of \$7,342,100. The Electric Department had net assets of \$50,947,023 at June 30, 2003, which is an increase of \$2,233,989. Net assets for the other proprietary funds at June 30, 2003 were \$424,448, which is an increase of \$59,239.

Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were minor (\$200,000) and was due to increased expenditures and federal funding relating to the storm damage experienced in the Spring of 2003. The most significant variation of actual results versus the budget was transfers-out were \$1,189,321 less than anticipated. The City did not transfer \$1,282,574 to the City's recreation program largely because of additional delays in the opening of a new major recreational facility and focused efforts to cut labor and related costs during the fiscal year.

The budget planned for a \$2,800,000 shortfall to be funded from available fund balance. During the year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus reducing the need to draw upon the existing fund balance to \$580,420.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Murfreesboro's investment in capital assets for its governmental and business-type activities as of June 30, 2003 amounts to \$452,174,443 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, certain infrastructure, and utility distribution systems. The prior year numbers were restated as the City continued its on-going project of recording infrastructure and related assets as allowed by GASB 34's phase-in plan. The total increase in the City of Murfreesboro's investment in capital assets for the current fiscal year was 14 percent (a 24 percent increase for governmental activities and a 7 percent increase for business-type activities).

Increases in land accounted for 18 percent of the increase in governmental capital assets. The majority of the land additions (\$10,030,120) were for right-of-away needed for street projects. Land was also acquired for \$306,100 for a wetland area to expand recreational and educational opportunities.

The City has added \$12,071,879 to construction in progress for various projects, including a reconstruction of the municipal 18-hole golf course, renovation of a recreational ballpark, a new recreational multi-purpose facility, and a variety of street projects. Additions to construction in progress accounted for 39 percent of the growth in governmental capital assets.

Infrastructure assets include roads, bridges, sidewalks, and lighting systems. Certain of these assets, which are stationary and can be preserved for significantly longer than most capital assets, were been included in the City's financial statements for the first time in the fiscal year June 30, 2002. The assets included are those that were constructed, acquired or completed on or after July 1, 2001. Pursuant to GASB Statement No. 34, for all fiscal years beginning after June 15, 2005, the City must retroactively report all infrastructure assets acquired before July 1, 2001. The City expects to accomplish this retroactive reporting of infrastructure prior to that deadline. The assets included for the current year account for 36 percent of the growth in governmental capital assets.

As a result of maintained population growth, the utility operations continued additions and improvements of the distribution lines for a net increase in utility assets of \$18,280,118.

Capital Assets Net of Depreciation

	Governmental Activities		Business-type Activities		Total	
	2003	2002 (as Restated)	2003	2002	2003	2002 (as Restated)
Non-Depreciable Assets:						
Land	\$ 44,697,479	\$ 37,771,289	\$ 11,420,294	\$ 11,133,394	\$ 56,117,773	\$ 48,904,683
Construction in progress	35,842,806	23,770,927	25,928,226	24,089,498	61,771,032	47,860,425
Other Capital Assets:						
Buildings	70,290,426	67,611,398	54,565,446	53,719,172	124,855,872	121,330,570
Improvements other than buildings	26,255,578	26,048,183			26,255,578	26,048,183
Transmission & distribution mains			137,233,475	125,195,007	137,233,475	125,195,007
Electric plants			68,202,109	62,301,318	68,202,109	62,301,318
Water storage rights			3,051,429		3,051,429	
Unamortized plant acquisition			877,124	40,255	877,124	40,255
Equipment	19,520,992	16,329,988	30,406,043	30,189,941	49,927,035	46,519,929
Infrastructure	23,962,706	12,876,020			23,962,706	12,876,020
Accumulated depreciation	(36,259,035)	(31,661,657)	(63,820,655)	(57,085,210)	(100,079,690)	(88,746,867)
Total	\$ 184,310,952	\$ 152,746,148	\$ 267,863,491	\$ 249,583,375	\$ 452,174,443	\$ 402,329,523

Additional information on the City of Murfreesboro's capital assets can be found in note F on pages 38 - 39 of this report.

Long-term Debt

Total long-term debt for the City of Murfreesboro increased \$1,492,175 during the year ended June 30, 2003. Debt from governmental activities decreased \$2,293,822 (2 percent) and business-type activities debt has increased \$3,785,997 (6 percent).

The City has 80 percent of its governmental long-term debt in the form of variable rate loans from the Tennessee Municipal Bond Fund, the average variable interest rate for the year was 1.65 percent. These loans are drawn down periodically as the money is needed for a variety of projects, the largest of which is street improvements. A land sale to commercial and medical entities during the fiscal year resulted in the reduction of related debt for that property.

The Electric Department borrowed \$3,500,000 from the Tennessee Municipal Bond Fund in July 2002 to complete funding of several capital improvement projects. The department also has two revenue bonds totaling \$6,725,000 at June 30, 2003.

Additional information on the City of Murfreesboro's long-term debt can be found in note G on pages 41 - 45 of this report.

Long-term Debt Outstanding June 30, 2003

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
General obligation bonds	\$ 12,670,000	\$ 16,770,000	\$ 1,340,000	\$ 1,585,000	\$ 14,010,000	\$ 18,355,000
Tennessee Municipal Bond Fund loans	75,671,405	73,085,532	9,629,310	4,281,741	85,300,715	77,367,273
Revenue bonds			6,725,000	7,500,000	6,725,000	7,500,000
Matured bonds payable			36,002	36,002	36,002	36,002
Less: Deferred amounts			(122,574)	(134,667)	(122,574)	(134,667)
Loans from State of Tennessee				1,432,586		1,432,586
State revolving loan			52,891,293	53,009,987	52,891,293	53,009,987
Estimated landfill closure costs	1,247,000	1,812,000			1,247,000	1,812,000
Compensated absences	2,091,610	1,924,033	999,049	661,059	3,090,659	2,585,092
Loans payable - Utility plant acquisition			692,335	32,710	692,335	32,710
Claims and judgements	2,175,000	2,557,272			2,175,000	2,557,272
	<u>\$ 93,855,015</u>	<u>\$ 96,148,837</u>	<u>\$ 72,190,415</u>	<u>\$ 68,404,418</u>	<u>\$ 166,045,430</u>	<u>\$ 164,553,255</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Murfreesboro continues to be one of the fastest growing areas in the State of Tennessee. The special census conducted in 2002-2003 indicated the City has grown by 9% since the federal census done in 2000. This increase in population allows the City to claim a larger share of the state shared revenues, which are based on population. The City Council carefully considered the expanded service areas when they developed the budget for the fiscal year 2003-2004. The budgeted expenditures for public safety accounted for 62% of the increase in the General Fund budget for 2003-2004. However, the State of Tennessee passed a measure to increase State revenues by taking away a portion of the allocations that would previously been sent to the local governments. The City was able to sustain the current property tax rates by making budget cuts within the various departments of the City and by exercising the right to reclaim part of the local option sales tax that had been agreed to be given to the County to be used for building new county schools.

The City is actively recruiting industry and commercial growth by partnering with the Chamber of Commerce. The sale of land to a retail developer in 2002-2003 is expected to bring additional sales tax dollars and new jobs to our area in the 2003-2004 year. The City also is working with various groups in an attempt to get a major hotel/conference center located in Murfreesboro in the near future.

The Water and Sewer Department intends to purchase a 200-acre site in 2003-2004 to spread their re-purified water on. This proposed \$6,000,000 investment is part of their continued effort to supply the sewerage needs for their growing sewer customer base.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Murfreesboro's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, P.O. Box 1139, Murfreesboro, TN 37133-1139.

CITY OF MURFREESBORO, TENNESSEE

Statement of Net Assets

June 30, 2003

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
 <u>ASSETS</u>			
Cash and cash equivalents	\$ 45,103,400	\$ 3,413,606	\$ 48,517,006
Receivables, net of allowance for uncollectibles	40,535,810	4,611,471	45,147,281
Internal balances	(604,102)	604,102	-
Inventories	162,949	1,534,014	1,696,963
Prepaid pension costs	1,634,444		1,634,444
Prepaid items and other assets	58,396	257,201	315,597
Deferred charges		1,513,842	1,513,842
Restricted assets -			
Cash and cash equivalents	420,833	5,376,521	5,797,354
Investments, at fair value	1,240,183	11,030,002	12,270,185
Capital assets -			
Land and construction in progress	80,540,285	37,348,520	117,888,805
Other capital assets, net of depreciation	103,770,667	230,514,971	334,285,638
Total Assets	\$ <u>272,862,865</u>	\$ <u>296,204,250</u>	\$ <u>569,067,115</u>
 <u>LIABILITIES</u>			
Cash overdraft	\$ 71,039		\$ 71,039
Accounts payable and accrued expenses	5,837,185	\$ 2,260,949	8,098,134
Contracts payable		1,338,763	1,338,763
Deferred revenue	632,337		632,337
Deposits held	864,128	2,737,444	3,601,572
Other deposits	199,124		199,124
Matured bond interest payable	1,288		1,288
Other liabilities	148,395	314,809	463,204
Long-term liabilities -			
Due within one year	16,503,666	5,634,917	22,138,583
Due in more than one year	77,351,349	66,555,498	143,906,847
Total Liabilities	\$ <u>101,608,511</u>	\$ <u>78,842,380</u>	\$ <u>180,450,891</u>
 <u>NET ASSETS</u>			
Invested in capital assets, net of related debt	\$ 103,037,574	\$ 195,102,675	\$ 298,140,249
Restricted for -			
Education	11,766,214		11,766,214
Capital activity and debt service	3,902,185	14,906,523	18,808,708
Highways and streets	2,590,949		2,590,949
Other purposes	2,904,323		2,904,323
Perpetual care -			
Expendable	148,419		148,419
Nonexpendable	1,169,803		1,169,803
Unrestricted	45,734,887	7,352,672	53,087,559
Total Net Assets	\$ <u>171,254,354</u>	\$ <u>217,361,870</u>	\$ <u>388,616,224</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Statement of Activities

Year Ended June 30, 2003

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities -				
Administrative and general	\$ 9,740,938	\$ 276,038		\$ 8,161
Police	10,135,170	301,597	\$ 217,481	
Fire protection	7,311,950	373,627		
Judicial	265,194	1,786,322		
Legal	384,252			
Personnel	344,507			
Streets	4,828,104	14,382	2,145,800	18,724,551
Planning and engineering	1,550,385	26,781		
Building inspections	792,627	1,914,342		
Sanitation	2,885,087	47,209	215,805	8,162
Urban environmental	360,213			
Public health, safety and other	1,235,539		219,440	97,913
Other governmental activities	4,199,885	1,258,406	287,968	121,181
Recreation	6,622,259	1,921,342	151,260	425,594
Community development	702,044	96,044	613,788	
Education	38,878,101	1,660,386	34,015,207	
Food service	2,026,104	1,073,184	928,467	
Interest on long-term debt	2,214,072	32,110		
Total governmental activities	\$ 94,476,431	\$ 10,781,770	\$ 38,795,216	\$ 19,385,562
Business-type activities -				
Water and sewer	\$ 18,491,414	\$ 17,875,337		\$ 7,726,149
Electric	70,820,633	72,951,488		
Cemetery	312,599	312,331	\$ 68,341	
Total business-type activities	\$ 89,624,646	\$ 91,139,156	\$ 68,341	\$ 7,726,149
Total primary government	\$ 184,101,077	\$ 101,920,926	\$ 38,863,557	\$ 27,111,711
General Revenues -				
Taxes -				
Property taxes				
Sales taxes				
Other taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Miscellaneous				
Contributions to permanent funds				
Special items -				
Gain on sale of assets				
Reduction in estimated landfill post-closure costs				
Transfers				
Total general revenues, special items, and transfers				
Change in net assets				
Net assets - beginning, as previously reported				
Prior period adjustment				
Net assets - beginning, as restated				
Net assets - ending				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business- type Activities	Total
\$ (9,456,739)		\$ (9,456,739)
(9,616,092)		(9,616,092)
(6,938,323)		(6,938,323)
1,521,128		1,521,128
(384,252)		(384,252)
(344,507)		(344,507)
16,056,629		16,056,629
(1,523,604)		(1,523,604)
1,121,715		1,121,715
(2,613,911)		(2,613,911)
(360,213)		(360,213)
(918,186)		(918,186)
(2,532,330)		(2,532,330)
(4,124,063)		(4,124,063)
7,788		7,788
(3,202,508)		(3,202,508)
(24,453)		(24,453)
(2,181,962)		(2,181,962)
\$ <u>(25,513,883)</u>		\$ <u>(25,513,883)</u>
	\$ 7,110,072	\$ 7,110,072
	2,130,855	2,130,855
	<u>68,073</u>	<u>68,073</u>
	\$ <u>9,309,000</u>	\$ <u>9,309,000</u>
\$ <u>(25,513,883)</u>	\$ <u>9,309,000</u>	\$ <u>(16,204,883)</u>
\$ 27,185,759		\$ 27,185,759
17,620,360		17,620,360
5,098,675		5,098,675
6,720,868		6,720,868
514,639	\$ 732,573	1,247,212
282,589		282,589
	52,825	52,825
4,378,279		4,378,279
565,000		565,000
63,552	(63,552)	-
\$ <u>62,429,721</u>	\$ <u>721,846</u>	\$ <u>63,151,567</u>
\$ <u>36,915,838</u>	\$ <u>10,030,846</u>	\$ <u>46,946,684</u>
\$ 130,593,387	\$ 207,331,024	\$ 337,924,411
3,745,129		3,745,129
\$ <u>134,338,516</u>	\$ <u>207,331,024</u>	\$ <u>341,669,540</u>
\$ <u>171,254,354</u>	\$ <u>217,361,870</u>	\$ <u>388,616,224</u>

CITY OF MURFREESBORO, TENNESSEE

Balance Sheet
Governmental Funds

June 30, 2003

	<u>General</u>	<u>General Purpose School</u>	<u>Debt Service</u>	<u>2001 TML Loan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>						
Cash and cash equivalents	\$ 19,014,335	\$ 3,711,282	\$ 3,102,356	\$ 2,867,327	\$ 12,732,558	\$ 41,427,858
Receivables, net of allowance for uncollectibles -						
Taxes	24,544,204					24,544,204
Accounts		15,107			154,900	170,007
Other	690,389				25,571	715,960
Due from others					314,708	314,708
Due from other funds	1,664,023	377,790		73,596	968,217	3,083,626
Due from other governments	4,058,807	9,049,093			1,670,581	14,778,481
Prepaid expenses and deposits					5,901	5,901
Inventories					73,348	73,348
Restricted assets -						
Cash and cash equivalents	376,513				44,320	420,833
Investments, at fair value					1,240,183	1,240,183
Total Assets	<u>\$ 50,348,271</u>	<u>\$ 13,153,272</u>	<u>\$ 3,102,356</u>	<u>\$ 2,940,923</u>	<u>\$ 17,230,287</u>	<u>\$ 86,775,109</u>
<u>LIABILITIES</u>						
Cash overdrafts					\$ 71,039	\$ 71,039
Accounts payable	\$ 840,121	\$ 561,920		\$ 1,450,779	2,026,489	4,879,309
Accrued liabilities		385,660			68,524	454,184
Deposits held	864,128					864,128
Matured bond interest payable			\$ 1,288			1,288
Due to other funds	1,251,823	115,698			4,576,756	5,944,277
Due to other governments	57,693				83,526	141,219
Due to others					1,373	1,373
Deferred revenue	24,994,568	7,783,874		20,732	1,229,147	34,028,321
Other deposits					199,124	199,124
Other liabilities	148,395					148,395
Total Liabilities	<u>\$ 28,156,728</u>	<u>\$ 8,847,152</u>	<u>\$ 1,288</u>	<u>\$ 1,471,511</u>	<u>\$ 8,255,978</u>	<u>\$ 46,732,657</u>

(continued)

CITY OF MURFREESBORO, TENNESSEE

Balance Sheet (continued)

Governmental Funds

June 30, 2003

	<u>General</u>	<u>General Purpose School</u>	<u>Debt Service</u>	<u>2001 TML Loan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>FUND BALANCES</u>						
Reserved for -						
Inventories					\$ 28,406	\$ 28,406
Encumbrances		\$ 74,903				74,903
Technology		1,348,888				1,348,888
Perpetual care					1,169,803	1,169,803
Other purposes	\$ 104,570	21,769				126,339
Unreserved, reported in -						
General Fund						
Designated	283,736					283,736
Undesignated	21,803,237					21,803,237
Special Revenue Funds						
Designated					492,395	492,395
Undesignated		2,860,560			5,561,177	8,421,737
Debt Service			\$ 3,101,068			3,101,068
Capital projects				\$ 1,469,412	1,574,109	3,043,521
Permanent fund					148,419	148,419
Total Fund Balances	<u>\$ 22,191,543</u>	<u>\$ 4,306,120</u>	<u>\$ 3,101,068</u>	<u>\$ 1,469,412</u>	<u>\$ 8,974,309</u>	<u>\$ 40,042,452</u>
Total Liabilities and Fund Balances	<u>\$ 50,348,271</u>	<u>\$ 13,153,272</u>	<u>\$ 3,102,356</u>	<u>\$ 2,940,923</u>	<u>\$ 17,230,287</u>	<u>\$ 86,775,109</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

**Reconciliation of Total Governmental Fund Balance
to Net Assets of Governmental Activities**

June 30, 2003

Total Governmental Fund Balances \$ 40,042,452

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds. 184,310,952

Internal service funds are used by management to charge costs of
employee health insurance, worker's compensation benefits,
liability insurance, and fleet and equipment maintenance to
individual funds. The assets and liabilities of the internal service
funds are included in governmental activities in the statement
of net assets. 3,978,769

Charges are made by the general fund to other funds for costs
of certain salaries and overhead costs. Internal balances related
to charges to business-type funds are eliminated in the
government-wide statements. (428,232)

Prepaid pension costs are not available for current-period
expenditures and, therefore, are not reported in the funds. 1,634,444

Other long-term assets are not available to pay for current-
period expenditures and, therefore, are deferred in the funds. 33,395,984

Long-term liabilities, including bonds and loans payable, are not
due and payable in the current period and, therefore, are not
reported in the funds. (91,680,015)

Net Assets of Governmental Funds \$ 171,254,354

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds**

Year Ended June 30, 2003

	General Fund	General Purpose School	Debt Service Fund	2001 TML Fund	Other Governmental Funds	Total Governmental Funds
Revenues-						
Taxes	\$ 47,083,543				\$ 640,585	\$ 47,724,128
Intergovernmental	6,571,561	\$ 29,611,252			8,024,101	44,206,914
Charges for services	498,950	71,492			4,827,328	5,397,770
Interest and investment earnings	245,258		\$ 40,997	\$ 72,175	229,174	587,604
Licenses and permits	3,887,346					3,887,346
Miscellaneous	2,189,054	264,101	32,110	361,586	1,225,559	4,072,410
	<u>\$ 60,475,712</u>	<u>\$ 29,946,845</u>	<u>\$ 73,107</u>	<u>\$ 433,761</u>	<u>\$ 14,946,747</u>	<u>\$ 105,876,172</u>
Expenditures-						
Administrative and general	\$ 10,101,354					\$ 10,101,354
Police	9,293,955				\$ 245,948	9,539,903
Fire protection	6,983,588					6,983,588
Judicial	253,961					253,961
Legal	381,265					381,265
Personnel	350,039					350,039
Streets	2,364,733				1,687,447	4,052,180
Planning and engineering	1,522,269					1,522,269
Building inspections	789,533					789,533
Sanitation					2,773,945	2,773,945
Urban Environmental	337,918					337,918
Public health, safety and other	1,062,603					1,062,603
Other expenditures	1,669,539			\$ 90,735	2,190,542	3,950,816
Recreation					5,902,100	5,902,100
Community development					700,350	700,350
Education		\$ 33,290,381			4,564,463	37,854,844
Food Service					2,026,104	2,026,104
Capital outlay/fixed assets		1,222,089		10,151,295	10,122,060	21,495,444
Debt service:						
Principal			\$ 16,402,262			16,402,262
Interest			2,092,591			2,092,591
Fiscal Agent Fees			121,481			121,481
	<u>\$ 35,110,757</u>	<u>\$ 34,512,470</u>	<u>\$ 18,616,334</u>	<u>\$ 10,242,030</u>	<u>\$ 30,212,959</u>	<u>\$ 128,694,550</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 25,364,955</u>	<u>\$ (4,565,625)</u>	<u>\$ (18,543,227)</u>	<u>\$ (9,808,269)</u>	<u>\$ (15,266,212)</u>	<u>\$ (22,818,378)</u>
Other Sources (Uses)-						
Proceeds from debt issues				\$ 7,585,000	\$ 7,303,135	\$ 14,888,135
Proceeds from sale of land					7,929,389	7,929,389
Transfers in		\$ 5,479,424	\$ 18,595,490		6,949,206	31,024,120
Transfers out	\$ (25,945,375)				(5,136,359)	(31,081,734)
	<u>\$ (25,945,375)</u>	<u>\$ 5,479,424</u>	<u>\$ 18,595,490</u>	<u>\$ 7,585,000</u>	<u>\$ 17,045,371</u>	<u>\$ 22,759,910</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (580,420)</u>	<u>\$ 913,799</u>	<u>\$ 52,263</u>	<u>\$ (2,223,269)</u>	<u>\$ 1,779,159</u>	<u>\$ (58,468)</u>
Fund Balance at beginning of year	22,771,963	3,392,321	3,048,805	3,692,681	7,195,150	40,100,920
Fund Balance at end of year	<u>\$ 22,191,543</u>	<u>\$ 4,306,120</u>	<u>\$ 3,101,068</u>	<u>\$ 1,469,412</u>	<u>\$ 8,974,309</u>	<u>\$ 40,042,452</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

**Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds to the Statement of Activities**

For the Year Ended June 30, 2003

Net Change in Fund Balances - Total Governmental Funds	\$ (58,468)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	16,578,415
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and contributed assets) is to increase net assets.	14,986,389
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	3,367,366
Bond and loan proceeds provide current financial resources to governmental funds, while the repayment of principal on debt is an expenditure in the governmental funds. Neither transaction, however, has any effect on net assets. This is the amount by which repayments exceeded proceeds.	1,514,127
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(167,577)
Internal service funds are used by management to charge costs of employee health insurance, worker's compensation benefits, liability insurance, and fleet and equipment maintenance to individual funds. The net revenue of certain internal service funds is reported with governmental activities.	893,244
Charges are made by the general fund to other funds for costs of certain salaries and overhead costs. Internal balances related to charges to business-type funds are eliminated in the government-wide statements.	(197,658)
Change in Net Assets of Governmental Activities	<u>\$ 36,915,838</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

**Balance Sheet
Proprietary Funds**

June 30, 2003

	Business-Type Activities				Governmental Activities
	Murfreesboro Water and Sewer	Murfreesboro Electric Department	Nonmajor Enterprise Funds	Totals	Internal Service Funds
ASSETS					
Current Assets -					
Cash and cash equivalents	\$ 1,721,955	\$ 1,557,318	\$ 134,333	\$ 3,413,606	\$ 3,675,542
Receivables -					
Accounts	1,031,874	3,494,616	62,863	4,589,353	
Other	22,118			22,118	12,450
Due from other funds			32,412	32,412	2,884,160
Inventories	420,743	1,071,737	41,534	1,534,014	89,601
Prepaid expenses and other assets	130,367	122,673	4,161	257,201	52,495
Total Current Assets	<u>\$ 3,327,057</u>	<u>\$ 6,246,344</u>	<u>\$ 275,303</u>	<u>\$ 9,848,704</u>	<u>\$ 6,714,248</u>
Noncurrent Assets -					
Restricted assets -					
Cash and cash equivalents	\$ 3,847,480	\$ 1,529,041		\$ 5,376,521	
Investments	10,000,002	1,030,000		11,030,002	
Deferred charges	48,561	1,465,281		1,513,842	
Capital assets -					
Land and construction in progress	34,081,754	3,242,339	\$ 24,427	37,348,520	
Other capital assets, net of depreciation	<u>177,075,931</u>	<u>53,313,227</u>	<u>125,813</u>	<u>230,514,971</u>	
Total Noncurrent Assets	<u>\$ 225,053,728</u>	<u>\$ 60,579,888</u>	<u>\$ 150,240</u>	<u>\$ 285,783,856</u>	
Total Assets	<u>\$ 228,380,785</u>	<u>\$ 66,826,232</u>	<u>\$ 425,543</u>	<u>\$ 295,632,560</u>	<u>\$ 6,714,248</u>
LIABILITIES AND NET ASSETS					
Current Liabilities -					
Accounts payable	\$ 202,010	\$ 1,153,006		\$ 1,355,016	\$ 361,100
Contracts payable	1,338,763			1,338,763	
Accrued and withheld liabilities	91,322	813,516	\$ 1,095	905,933	
Due to other funds	54,401			54,401	1,520
Deposits held	126,245	2,611,199		2,737,444	
Compensated absences	551,958			551,958	
Claims and judgments payable					870,000
Bonds and loans payable	<u>3,902,033</u>	<u>1,180,926</u>		<u>5,082,959</u>	
Total Current Liabilities	<u>\$ 6,266,732</u>	<u>\$ 5,758,647</u>	<u>\$ 1,095</u>	<u>\$ 12,026,474</u>	<u>\$ 1,232,620</u>
Noncurrent Liabilities -					
Compensated absences		\$ 447,091		\$ 447,091	
Claims and judgments payable					\$ 1,305,000
Bonds and loans payable	\$ 56,749,745	9,358,662		66,108,407	
Other liabilities		<u>314,809</u>		<u>314,809</u>	
Total Noncurrent Liabilities	<u>\$ 56,749,745</u>	<u>\$ 10,120,562</u>		<u>\$ 66,870,307</u>	<u>\$ 1,305,000</u>
Net Assets -					
Invested in capital assets, net of related debt	\$ 149,011,931	\$ 45,963,996	\$ 126,748	\$ 195,102,675	
Restricted for capital activity and debt service	13,847,482	1,059,041		14,906,523	
Unrestricted	<u>2,504,895</u>	<u>3,923,986</u>	<u>297,700</u>	<u>6,726,581</u>	\$ 4,176,628
Total Net Assets	<u>\$ 165,364,308</u>	<u>\$ 50,947,023</u>	<u>\$ 424,448</u>	<u>\$ 216,735,779</u>	<u>\$ 4,176,628</u>
Total Liabilities and Net Assets	<u>\$ 228,380,785</u>	<u>\$ 66,826,232</u>	<u>\$ 425,543</u>	<u>\$ 295,632,560</u>	<u>\$ 6,714,248</u>
Total Net Assets				\$ 216,735,779	
Adjustment to reflect the elimination of internal charges for salaries and overhead related to enterprise funds				428,231	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>197,860</u>	
Net Assets of Business-Type Activities				<u>\$ 217,361,870</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds

Year Ended June 30, 2003

	Business-Type Activities				Governmental Activities
	Murfreesboro Water and Sewer	Murfreesboro Electric Department	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating Revenues -					
Charges for services	\$ 17,875,337	\$ 72,951,488	\$ 312,331	\$ 91,139,156	\$ 9,021,347
Other revenues					843
	<u>\$ 17,875,337</u>	<u>\$ 72,951,488</u>	<u>\$ 312,331</u>	<u>\$ 91,139,156</u>	<u>\$ 9,022,190</u>
Operating Expenses -					
Power purchases		\$ 60,308,368		\$ 60,308,368	
Other operating expenses	\$ 10,180,514	4,528,576	\$ 293,941	15,003,031	\$ 1,708,140
Claims and administrative					6,271,147
Depreciation and amortization	5,330,737	2,524,984	18,658	7,874,379	
Maintenance and repairs	721,273	1,167,684		1,888,957	
Taxes and tax equivalents		1,907,970		1,907,970	
	<u>\$ 16,232,524</u>	<u>\$ 70,437,582</u>	<u>\$ 312,599</u>	<u>\$ 86,982,705</u>	<u>\$ 7,979,287</u>
Operating Income (Loss)	<u>\$ 1,642,813</u>	<u>\$ 2,513,906</u>	<u>\$ (268)</u>	<u>\$ 4,156,451</u>	<u>\$ 1,042,903</u>
Nonoperating Revenues -					
Interest	\$ 545,938	\$ 184,742	\$ 1,893	\$ 732,573	\$ 48,201
Nonoperating Expenses -					
Interest	\$ 2,500,757	\$ 464,659		\$ 2,965,416	
Loss on disposal of assets	72,043			72,043	
	<u>\$ 2,572,800</u>	<u>\$ 464,659</u>		<u>\$ 3,037,459</u>	
Income (Loss) Before Capital Contributions and Transfers	\$ (384,049)	\$ 2,233,989	\$ 1,625	\$ 1,851,565	\$ 1,091,104
Capital contributions	7,726,149			7,726,149	
Transfers in			57,614	57,614	
Change in Net Assets	\$ 7,342,100	\$ 2,233,989	\$ 59,239	\$ 9,635,328	\$ 1,091,104
Net Assets at beginning of year	158,022,208	48,713,034	365,209	207,100,451	3,085,524
Net Assets at end of year	<u>\$ 165,364,308</u>	<u>\$ 50,947,023</u>	<u>\$ 424,448</u>	<u>\$ 216,735,779</u>	<u>\$ 4,176,628</u>
Change in Net Assets				\$ 9,635,328	
Adjustment to reflect the elimination of internal charges for salaries and overhead related to enterprise funds				197,658	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				197,860	
Change in Net Assets of Business-Type Activities				<u>\$ 10,030,846</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Statement of Cash Flows
Proprietary Funds

Year Ended June 30, 2003

	<u>Business-Type Activities</u>				<u>Governmental Activities</u>
	<u>Murfreesboro Water and Sewer</u>	<u>Murfreesboro Electric Department</u>	<u>Nonmajor Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
Cash Flows from Operating Activities -					
Cash received from customers	\$ 17,924,130	\$ 73,483,540	\$ 318,180	\$ 91,725,850	
Cash payments to suppliers and employees	(10,027,908)	(5,486,647)	(292,559)	(15,807,114)	\$ (1,540,101)
Cash payments to TVA for power		(63,210,077)		(63,210,077)	
Cash payments of property taxes		(1,693,258)		(1,693,258)	
Cash received from interfund services provided					8,642,882
Cash payments of claims and administrative expenses					(6,602,898)
Other receipts (payments)					(192,551)
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,896,222</u>	<u>\$ 3,093,558</u>	<u>\$ 25,621</u>	<u>\$ 11,015,401</u>	<u>\$ 307,332</u>
Cash Flows from Noncapital Financing Activities -					
Payments on TVA conservation loans		\$ (53,530)		\$ (53,530)	
Transfers in			\$ 57,614	57,614	
Net Cash Provided (Used) by Noncapital Financing Activities		<u>\$ (53,530)</u>	<u>\$ 57,614</u>	<u>\$ 4,084</u>	
Cash Flows from Capital and Related Financing Activities -					
Acquisition and construction of fixed assets	\$ (15,791,324)	\$ (4,960,670)	\$ (22,925)	\$ (20,774,919)	
Proceeds from sale of assets	8,650			8,650	
Proceeds from tap and connection fees	3,026,565			3,026,565	
Proceeds from bonds and loans	4,723,074	3,498,827		8,221,901	
Principal payment on bonds and loans	(4,416,612)	(1,471,421)		(5,888,033)	
Loan costs		(17,500)		(17,500)	
Interest paid on bonds and loans	(2,480,971)	(467,659)		(2,948,630)	
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (14,930,618)</u>	<u>\$ (3,418,423)</u>	<u>\$ (22,925)</u>	<u>\$ (18,371,966)</u>	
Cash Flows From Investing Activities -					
Interest received	\$ 575,091	\$ 184,081	\$ 1,893	\$ 761,065	\$ 48,095
Maturities of investments	11,555,661	2,657,000		14,212,661	
Purchase of investments	(5,500,002)			(5,500,002)	
Net Cash Provided (Used) by Investing Activities	<u>\$ 6,630,750</u>	<u>\$ 2,841,081</u>	<u>\$ 1,893</u>	<u>\$ 9,473,724</u>	<u>\$ 48,095</u>
Net Increase (Decrease) in cash and cash equivalents	\$ (403,646)	\$ 2,462,686	\$ 62,203	\$ 2,121,243	\$ 355,427
Cash and Cash Equivalents at beginning of year	<u>5,973,081</u>	<u>623,673</u>	<u>72,130</u>	<u>6,668,884</u>	<u>3,320,115</u>
Cash and Cash Equivalents at end of year	<u>\$ 5,569,435</u>	<u>\$ 3,086,359</u>	<u>\$ 134,333</u>	<u>\$ 8,790,127</u>	<u>\$ 3,675,542</u>

(continued)

CITY OF MURFREESBORO, TENNESSEE

Statement of Cash Flows (continued)

Proprietary Funds

Year Ended June 30, 2003

	Business-Type Activities				Governmental Activities
	Murfreesboro Water and Sewer	Murfreesboro Electric Department	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,642,813	\$ 2,513,906	\$ (268)	\$ 4,156,451	\$ 1,042,903
Adjustments to reconcile net earnings to net cash provided (used) by operating activities					
Depreciation and amortization	5,665,502	2,621,492	18,658	8,305,652	
Gain on disposal of assets	(72,043)			(72,043)	
Changes in assets and liabilities -					
Accounts receivable	48,793	356,053	5,849	410,695	
Due from other funds					(378,464)
Inventory	9,297	(186,624)	1,564	(175,763)	(26,515)
Prepaid expenses	(19,320)	(2,970)	(236)	(22,526)	(52,495)
Other current assets		(1,638)		(1,638)	21,144
Conservation loans receivable		52,445		52,445	
Deferred charges		(1,236,204)		(1,236,204)	
Accounts payable	46,078	(1,926,083)		(1,880,005)	(300,401)
Contracts and retainage payable	441,929			441,929	
Due to other funds	54,401			54,401	1,160
Accrued and withheld liabilities	83,535	486,794	54	570,383	
Other liabilities		292,833		292,833	
Deposits	(4,764)	123,554		118,790	
Net Cash Provided (Used) by Operating Activities	\$ 7,896,221	\$ 3,093,558	\$ 25,621	\$ 11,015,400	\$ 307,332
Non-Cash Capital and Related Financing Activities -					
Utility acquisition debt incurred		\$ 769,261		\$ 769,261	
Contributions in aid of construction	\$ 4,699,581			4,699,581	
	\$ 4,699,581	\$ 769,261		\$ 5,468,842	
Reconciliation to Cash and Cash Equivalents					
Presented in Statement of Net Assets -					
Cash and cash equivalents	\$ 1,721,955	\$ 1,557,318	\$ 134,333	\$ 3,413,606	\$ 3,675,542
Cash and cash equivalents - restricted	3,847,480	1,529,041		5,376,521	
Cash and cash equivalents at end of year	\$ 5,569,435	\$ 3,086,359	\$ 134,333	\$ 8,790,127	\$ 3,675,542
Reconciliation of Depreciation and Amortization Expense per Statement of Revenue, Expenses, and Changes in Net Assets to Depreciation and Amortization Expense per Statement of Cash Flows -					
Depreciation and amortization expense per Statement of Revenue, Expenses, and Changes in Net Assets	\$ 5,330,737	\$ 2,524,984	\$ 18,658	\$ 7,874,379	
Depreciation and amortization expense charged to operations and maintenance expense on Statement of Revenue, Expenses, and Changes in Net Assets	334,765	96,508		431,273	
Depreciation and amortization expense per Statement of Cash Flows	\$ 5,665,502	\$ 2,621,492	\$ 18,658	\$ 8,305,652	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Statement of Net Assets
Fiduciary Funds

June 30, 2003

	<u>Pension Trust Funds</u>	<u>Extended School Program Private Purpose Trust Fund</u>	<u>School Activity Agency Fund</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 5,311,259	\$ 141,979	\$ 653,470
Investments	49,409,363		
Accrued interest receivable	61,220		
Contributions receivable	660,348		
Other receivables			207
Inventory			18,263
	<u>\$ 55,442,190</u>	<u>\$ 141,979</u>	<u>\$ 671,940</u>
<u>LIABILITIES</u>			
Due to others			<u>\$ 671,940</u>
<u>NET ASSETS</u>			
Net Assets -			
Held in trust for pension benefits and other purposes	<u>\$ 55,442,190</u>	<u>\$ 141,979</u>	<u>\$ -</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year Ended June 30, 2003

	<u>Pension Trust Funds</u>	<u>Extended School Program Private Purpose Trust Fund</u>
Additions -		
Contributions -		
Employer	\$ <u>3,074,759</u>	
Investment income-		
Net appreciation in fair value of investments	\$ 759,405	
Interest	1,656,534	\$ 474
Dividends	328,048	
Total investment income	\$ <u>2,743,987</u>	\$ <u>474</u>
Less investment fees	<u>(24,762)</u>	
Net investment income	\$ <u>2,719,225</u>	\$ <u>474</u>
Total additions	\$ <u>5,793,984</u>	\$ <u>474</u>
Deductions -		
Benefits to participants	\$ 1,589,451	
Insurance premiums	355,938	
Total deductions	\$ <u>1,945,389</u>	
Net Increase (Decrease)	\$ 3,848,595	\$ 474
Net Assets Held in Trust for Pension Benefits -		
Beginning of year	<u>51,593,595</u>	<u>141,505</u>
End of year	\$ <u><u>55,442,190</u></u>	\$ <u><u>141,979</u></u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements

June 30, 2003

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Murfreesboro, Tennessee (the "City") was first chartered by the Tennessee General Assembly (State Legislature) in 1811. The present charter was granted in 1931 and has been amended as needed. The City operates under a Council-Manager form of government. The City's major operations include police and fire protection, parks, education, recreation, public works and general administrative services. In addition, the City owns and operates a water and sewer system and an electric utility.

The accounting and reporting policies of the City relating to the funds included in the accompanying combined financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply to its enterprise activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The GASB periodically updates its codification of the existing Governmental Accounting and Standards, which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant accounting policies of the City are described below.

In June 1999, the GASB issued Statement No. 34 "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments." This Statement provides for the most significant change in financial reporting in over twenty years and requires implementation starting with fiscal years ending after June 15, 2002. Certain of the significant changes in the Statement include the following:

- The financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
 - Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City implemented the general provisions of the Statement in the year ended June 30, 2002. The retroactive reporting of infrastructure is required to be implemented no later than fiscal years beginning after June 15, 2005.

Reporting Entity

The City, for financial purposes, includes all the funds relevant to the operations of the City of Murfreesboro, Tennessee (the primary government). The City is also required to include in its financial statements those separately administered organizations (component units) with which the City has significant operational or financial relationships. The criteria for including organizations as component units within the City's reporting entity include whether the organization is legally separate and whether the City holds the corporate powers, whether the City appoints a majority of the organization's board and is able to impose its will, and the ability of the organization to impose a financial benefit or burden on the City. Based on the foregoing criteria, the City of Murfreesboro has no component units.

Complete financial statements of individual departments, considered part of the primary government, can be obtained from the administrative offices in the following locations:

Murfreesboro City Schools Central Office
2552 South Church Street
Murfreesboro

Evergreen Cemetery
519 Greenland Drive
Murfreesboro

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Murfreesboro Electric Department
205 North Maple Street
Murfreesboro

Murfreesboro Water and Sewer Department
300 Northwest Broad Street
Murfreesboro

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, franchise taxes, licenses, state and federal grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Property taxes and accounts receivable are reduced by an allowance for uncollectible accounts.

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classifications within the financial statements.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The new model as defined in Statement No. 34 establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a single column in the fund financial statements.

The City reports the following major governmental funds:

General Fund - The general fund is the primary operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

General Purpose School Fund - The general purpose school fund is a special revenue fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for education.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for the payment of principal, interest, and related costs of general long-term debt.

2001 TML Fund - The 2001 TML Fund is a capital projects fund used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The City reports the following major proprietary funds:

Murfreesboro Water and Sewer Fund - The Water and Sewer fund accounts for revenues and expenses related to potable water and sanitary sewer services provided to residents of the City.

Murfreesboro Electric Department Fund - The Electric Department fund accounts for the revenue and costs for providing electric utility service for the residential and commercial concerns of the City.

Additionally, the government reports the following fund types:

Internal Service Funds - The internal service funds consist of a *fleet services fund* that accounts for fleet and equipment management to other departments or agencies of the government on a cost reimbursement basis, a *risk management fund* that accounts for revenues and costs associated with the City's self-funded liability and worker's compensation insurance programs, and an *insurance fund* that accounts for revenues and costs associated with the City's self-funded group health insurance plan.

Pension Trust Funds - The pension trust funds account for assets held on behalf of City employees.

Private-purpose Trust Fund - The private-purpose trust fund accounts for funds donated to the Extended School Program. These funds are to be preserved and maintained so as to produce income to be used for tuition grants.

Agency Fund - The agency fund accounts for the assets held by the schools in an agency capacity on behalf of various student, teacher and parent organizations.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund and the electric department fund and of the City's internal service funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses of the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use unrestricted resources when budgeted first, then restricted resources as they are needed.

Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents - For purposes of reporting cash flows, cash and cash equivalents include cash on hand, cash in checking accounts, interest-bearing deposits, and highly liquid investments (including restricted assets of the Water and Sewer department) with an original maturity of three months or less.

Investments - Investments are stated at fair value for all funds.

Inventories - Inventories held by the Enterprise Funds are stated at average cost on a first-in, first-out basis. Special Revenue Fund inventories are stated at cost on a first-in, first-out basis. The cost of inventories is recorded as expenditures when consumed. Inventories reported in governmental funds are offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though it is a component of net current assets. Although a reservation of fund balance is not required under the consumption method, this reservation is shown for management purposes only.

Restricted Assets - The City's restricted assets consist of the following:

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		
	<u>General</u>	<u>Other</u>	<u>Murfreesboro</u>	<u>Murfreesboro</u>	
	<u>Fund</u>	<u>Governmental</u>	<u>Water and</u>	<u>Electric</u>	
		<u>Funds</u>	<u>Sewer</u>	<u>Department</u>	<u>Total</u>
Restricted assets -					
Cash and cash equivalents	\$ 376,513	\$ 44,320	\$ 3,847,480	\$ 1,529,041	\$ 5,797,354
Investments		1,240,183	10,000,002	1,030,000	12,270,185
Total restricted assets	\$ <u>376,513</u>	\$ <u>1,284,503</u>	\$ <u>13,847,482</u>	\$ <u>2,559,041</u>	\$ <u>18,067,539</u>

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets – Governmental Activities -

Certain proceeds from outside sources have been classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by outside sources. The general fund maintains separate bank accounts for the following restricted funds: Equitable sharing, police, felony funds, 125 plan contributions, and an unemployment insurance reserve. The amount of restricted funds in the general fund at June 30, 2003 is \$376,513.

The Cemetery is required by law to contribute twenty percent of lot sale proceeds into a perpetual care fund. The perpetual care fund is to ensure the maintenance of the Cemetery for future years. The Cemetery had \$44,320 in cash on hand and bank accounts, which was restricted in this manner at June 30, 2003. Also, periodically contributions are made in trust to local financial institutions for investments of funds received from the issuance of perpetual care certificates. The amount of investments restricted in this manner at June 30, 2003 is \$1,240,183.

Restricted Assets – Business-type Activities -

The Water and Sewer fund has restricted funds for plant expansion and replacement funds that are to be used for specifically approved capital improvements, both current and anticipated expansions and major repairs and replacements of existing plant to include emergency contingencies for major catastrophes and acts of God. The total amount restricted for this purpose is \$774,842. Water and Sewer connection fees in the amount of \$12,688,784 are restricted for new development and construction. Certain other amounts have been restricted for future year debt payments. The debt service reserve fund was established by the State of Tennessee to equal the highest aggregate annual payments on certain loans from the State. The amount of reserve for future year debt payments at June 30, 2003 is \$383,856.

The Electric Department has restricted funds in accordance with revenue bond ordinances which require the Department to establish a sinking fund to pay annual obligations for interest and principal on maturing bonds. At June 30, 2003, \$1,029,041 was restricted for this purpose. In addition to sinking fund requirements the bond ordinances require the Department to maintain reserves for renewal and replacement of utility plant financed by the bond issuances. The amount restricted for this purpose at June 30, 2003 is \$30,000. The plant expansion and replacement fund and emergency fund, which totals \$1,500,000, is restricted to be used specifically for approved capital improvements, both current and anticipated expansions, and major repairs and replacements of existing plant to include emergency contingencies for major catastrophes and acts of God (lightning, wind, etc.).

Capital Assets and Depreciation - Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Also, included in capital assets are infrastructure assets (e.g. streets, bridges, sidewalks, and similar items) constructed, acquired or completed on or after July 1, 2001. Pursuant to GASB Statement No. 34, for all fiscal years beginning after June 15, 2005, the City must retroactively report all infrastructure assets acquired before July 1, 2001. The City expects to accomplish retroactive reporting of infrastructure prior to that deadline.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The City defines capital assets as assets with an individual cost of more than \$5,000.

When capital assets are purchased, they are capitalized and depreciated in the government-wide statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation of capital assets is computed and recorded by the straight-line method over the estimated useful lives of the assets. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings and improvements	10 – 50 years
Other improvements	20 – 50 years
Equipment	3 – 25 years
Infrastructure	10 – 50 years

Total depreciation and amortization expense for proprietary funds amounted to \$8,305,652 for the year ended June 30, 2003. Depreciation applicable to transportation equipment is charged to a transportation clearing account and then distributed to utility plant, construction work in progress and operating expenses based on the utilization of the equipment. Depreciation accounted for in this manner results in a difference between depreciation reported in the accompanying statement of cash flows and the amount reported in the statement of revenues, expenses and changes in net assets. A reconciliation of this difference is provided below:

	<u>Total Proprietary Funds</u>
Depreciation and amortization on statement of cash flows	\$ 8,305,652
Depreciation and amortization on statement of revenues, expenses, and changes in net assets	<u>7,874,379</u>
Difference (depreciation applicable to transportation equipment)	\$ <u>431,273</u>

Interest cost incurred by the Murfreesboro Electric Department, during the construction of fixed assets is normally expensed due to the short duration of the construction period.

Long-term Debt – The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable, accrued compensated absences and claims and judgments payable.

Long-term debt for governmental funds is not reported in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for long-term debt in the proprietary funds is the same in the fund statements as it is in the government-wide statements.

Compensated Absences - City employees accrue personal leave, or compensated absences, by prescribed formula based on length of service. The value of accumulated benefits earned by employees, which may be used in subsequent years or paid upon termination or retirement, is recorded as long-term debt in the government-wide statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while the proprietary funds report the liability as it is incurred.

Property Taxes – An enforceable legal claim to taxable property arises on January 1 in the year of levy. Taxes are due on October 1 and are collected by the City Recorder. Taxes not paid by December 31 are declared delinquent. A provision for estimated uncollectible taxes is established based on prior collection experience. The government records all property taxes

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

collected within sixty days of year-end as revenue, with the amount not collected within sixty days of year-end as deferred revenue in the fund financial statements. All property taxes receivable, including the amount received after the 60-day period, are accrued in the government-wide financial statements.

Allowance for Uncollectible Accounts - The City's allowance for estimated uncollectible receivables at June 30, 2003 is as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>
Allowance for -		
Taxes Receivable	\$ 1,479,459	
Accounts Receivable		\$ 34,963

An allowance for uncollectible accounts was not considered necessary for the Murfreesboro Electric Department and the Murfreesboro Water and Sewer Department at June 30, 2003.

Estimates - Management is required to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Reclassifications - Certain reclassifications have been made to the prior year financial statements in order to conform to the current year presentation.

Note B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable and loans payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$91,680,015 difference are as follows:

General Government -	
Bonds Payable	\$ 12,670,000
TML Notes Payable	75,671,405
Compensated absences	1,927,299
Landfill post-closure costs	1,247,000
Murfreesboro City Schools -	
Compensated absences	164,311
Net adjustment	<u>\$ 91,680,015</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances include a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide financial statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period."

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note B – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

The details of this \$16,578,415 difference are as follows:

Capital outlay	\$ 21,450,385
Depreciation	(4,871,970)
Net adjustment	<u>\$ 16,578,415</u>

Another element of that reconciliation states that "The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and contributed assets) is to increase net assets." The details of this \$14,986,389 difference are as follows:

In the statement of activities, only the gain on a sale of capital assets is reported. However, in the governmental funds, the proceeds from sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	\$ (3,698,999)
--	----------------

Donations of capital assets increase net assets in the statement of activities but do not appear in the governmental funds because they are not financial resources.	18,685,388
Net adjustment	<u>\$ 14,986,389</u>

Another element of that reconciliation states that "Bond and loan proceeds provide current financial resources to governmental funds, while the repayment of principal on debt is an expenditure in the governmental funds. Neither transaction, however, has any effect on net assets." The details of this \$1,514,127 difference are as follows:

Debt issued or incurred	\$ (14,888,135)
Principal repayments	16,402,262
Net adjustment	<u>\$ 1,514,127</u>

Note C – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting - General governmental revenue and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements, which govern the City's operations.

Budgets have been adopted on a basis consistent with generally accepted accounting principles for the General Fund, the Debt Service Fund, Capital Projects Funds and Special Revenue Funds with the exception of those funds of the Murfreesboro Board of Education. The budgets of the General Purpose School Fund, the School Federal Projects Funds, and the Extended School Program Fund are prepared on a basis consistent with generally accepted accounting principles except that encumbrances are treated as budgeted expenditures in the year of the commitment to purchase. Budgetary comparisons presented in this report for these funds are on this budgetary basis.

The City charter provides that the City Council shall adopt the annual budget prepared by City Management. This budget is reviewed by the City Council and is formally adopted by the passage of a budget ordinance. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revision that alters the total

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note C – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued) -

expenditures of any fund must be approved by the City Council. All unencumbered and unexpended appropriations lapse at the end of the fiscal year. The budget amounts presented in the accompanying required supplemental information reflect the original and final amounts as revised and approved by the City Council.

Excess of Expenditures over Appropriations – For the year ended June 30, 2003, expenditures exceeded appropriations in four federal project funds as follows:

	Final Budget	Actual on Budgetary Basis	Variance
Title VI Program	\$ -0-	\$ 1,386	\$ (1,386)
Class Size Reduction	-0-	11,163	(11,163)
Migrant Program	-0-	23,060	(23,060)
TCLS II Grant	-0-	43,400	(43,400)

Encumbrances - Encumbrances represent commitments related to unperformed (executory) contracts for goods and services.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used by the General Purpose School Fund, the School Federal Projects Funds, and the Extended School Program Fund. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities since the commitments will be honored during the subsequent year.

However, encumbrances constitute the equivalent of expenditures for budgetary purposes and, accordingly, the accompanying financial statements present comparisons of actual results to the budgets on the budget basis for the General Purpose School Fund, the School Federal Projects Funds, and the Extended School Program Fund.

Budgetary – GAAP Reporting Reconciliation - The accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual for the General Purpose School Fund presents comparisons of the legally adopted budget (described above) with actual data on a budgetary basis. The accompanying Schedules of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual for the General Fund and Debt Service Fund are presented in accordance with generally accepted accounting principles (GAAP). Because accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in accordance with GAAP, a reconciliation of resultant basis and timing differences in the excess of revenues and other sources over expenditures and other uses for the year ended June 30, 2003 is presented below:

	General Purpose School Fund
Excess of revenues and other sources over expenditures and other uses (budgetary basis)	\$ 1,022,345
Adjustments:	
To adjust for net increase in encumbrances	(108,546)
Excess of revenues and other sources over expenditures and other uses (GAAP basis)	\$ <u>913,799</u>

Note D - RELATED ORGANIZATIONS

The City Council is also responsible for appointing or approving appointments to the boards of other organizations, but the City's accountability for these organizations does not extend beyond making the appointments. The City appoints or approves appointments to the boards of the Murfreesboro Housing Authority, the Rutherford County Library System, and the City/County Cultural Arts Commission.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note E - CASH AND INVESTMENTS

State statutes authorize the City to invest operating funds in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value at least equal to the amount of funds invested in the repurchase transaction. Investments held by employee pension plans are limited to those types allowed by plan documents.

Cash - At June 30, 2003, total demand deposits and certificates of deposit for the City were insured and/or collateralized in one of the following ways. Certain deposits were held in financial institutions, which are members of the Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool (the pool) is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The pool also has the ability to make additional assessments on a pro rata basis to the pool if the value of collateral is inadequate to cover a loss. Other deposits were adequately insured either by collateral securities held by the City's agent in the City's name or Federal Depository Insurance. The City's deposits in financial institutions were entirely insured or collateralized at June 30, 2003.

Investments - The City's investments are categorized below to give an indication of the credit risk at June 30, 2003. Category 1 includes investments either insured, registered in the City's name, or held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent, but not in the City's name.

		<u>Category</u>		Carrying	
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Amount</u>	<u>Fair Value</u>
<u>Employees Pension Trust Fund -</u>					
U.S. Government Securities			\$ 5,814,028	\$ 5,814,028	\$ 5,814,028
Corporate Bonds and Notes			15,860,017	15,860,017	15,860,017
Corporate Stocks			16,734,525	16,734,525	16,734,525
			<u>\$ 38,408,570</u>	<u>\$ 38,408,570</u>	<u>\$ 38,408,570</u>
Mutual Funds				4,035,184	4,035,184
				<u>\$ 42,443,754</u>	<u>\$ 42,443,754</u>
<u>Electric Department Employee Pension -</u>					
U.S. Government Securities			\$ 1,234,714	\$ 1,234,714	\$ 1,234,714
Corporate Bonds and Notes			2,489,106	2,489,106	2,489,106
Corporate Stocks			3,241,789	3,241,789	3,241,789
			<u>\$ 6,965,609</u>	<u>\$ 6,965,609</u>	<u>\$ 6,965,609</u>
<u>Evergreen Cemetary Commission</u>					
U.S. Government Securities			\$ 506,782	\$ 506,782	\$ 506,782
Corporate Bonds and Notes			551,019	551,019	551,019
			<u>\$ 1,057,801</u>	<u>\$ 1,057,801</u>	<u>\$ 1,057,801</u>
Mutual Funds				182,382	182,382
				<u>\$ 1,240,183</u>	<u>\$ 1,240,183</u>

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note F - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2003, was as follows:

	<u>As Previously Reported</u>	<u>Prior Period Adjustment</u>	<u>July 1, 2002 As Restated</u>
<u>Governmental activities -</u>			
Capital assets, not being depreciated -			
Land	\$ 35,668,492	\$ 2,102,797	\$ 37,771,289
Construction in progress	<u>23,367,604</u>	<u>403,323</u>	<u>23,770,927</u>
Subtotal	<u>\$ 59,036,096</u>	<u>\$ 2,506,120</u>	<u>\$ 61,542,216</u>
 Capital assets, being depreciated -			
Buildings	\$ 67,603,207	\$ 8,191	\$ 67,611,398
Improvements other than buildings	25,973,970	74,213	26,048,183
Equipment	16,325,217	4,771	16,329,988
Infrastructure	<u>8,180,456</u>	<u>4,695,564</u>	<u>12,876,020</u>
Subtotal	<u>\$ 118,082,850</u>	<u>\$ 4,782,739</u>	<u>\$ 122,865,589</u>
Less accumulated depreciation			
Buildings	\$ (13,724,829)	\$ 9,604	\$ (13,715,225)
Improvements other than buildings	(7,541,643)	(21,758)	(7,563,401)
Equipment	(7,549,358)	(19,807)	(7,569,165)
Infrastructure	<u>(2,813,866)</u>	<u>(2,813,866)</u>	<u>(2,813,866)</u>
Subtotal	<u>\$ (28,815,830)</u>	<u>\$ (2,845,827)</u>	<u>\$ (31,661,657)</u>
Capital assets, being depreciated, net	<u>\$ 89,267,020</u>	<u>\$ 1,936,912</u>	<u>\$ 91,203,932</u>
Capital assets, net	<u>\$ 148,303,116</u>	<u>\$ 4,443,032</u>	<u>\$ 152,746,148</u>

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note F - CAPITAL ASSETS (continued) -

	Balance July 1, 2002 As Restated	Additions	Disposals	Balance June 30, 2003
Governmental activities -				
Capital assets, not being depreciated -				
Land	\$ 37,771,289	\$ 10,512,006	\$ 3,585,816	\$ 44,697,479
Construction in progress	23,770,927	12,071,879		35,842,806
Subtotal	\$ 61,542,216	\$ 22,583,885	\$ 3,585,816	\$ 80,540,285
Capital assets, being depreciated -				
Buildings	\$ 67,611,398	\$ 2,883,973	\$ 204,945	\$ 70,290,426
Improvements other than buildings	26,048,183	207,395		26,255,578
Equipment	16,329,988	3,373,834	182,830	19,520,992
Infrastructure	12,876,020	11,086,686		23,962,706
Subtotal	\$ 122,865,589	\$ 17,551,888	\$ 387,775	\$ 140,029,702
Less accumulated depreciation				
Buildings	\$ (13,715,225)	\$ (1,419,653)		\$ (15,134,878)
Improvements other than buildings	(7,563,401)	(1,318,566)	\$ 174,790	(8,707,177)
Equipment	(7,569,165)	(1,648,167)	99,802	(9,117,530)
Infrastructure	(2,813,866)	(485,584)		(3,299,450)
Subtotal	\$ (31,661,657)	\$ (4,871,970)	\$ 274,592	\$ (36,259,035)
Capital assets, being depreciated, net	\$ 91,203,932	\$ 12,679,918	\$ 113,183	\$ 103,770,667
Capital assets, net	\$ 152,746,148	\$ 35,263,803	\$ 3,698,999	\$ 184,310,952

Governmental activities -

Administrative and general	\$ 268,929
Police	629,801
Fire protection	296,817
Judicial	5,176
Personnel	4,869
Streets	580,797
Planning and engineering	14,468
Building inspections	1,985
Sanitation	228,518
Urban environmental	18,923
Public health, safety and other	101,777
Other government functions	361,354
Recreation	1,141,737
Education	1,216,819
Total governmental activities depreciation expense	\$ 4,871,970

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note F - CAPITAL ASSETS (continued) –

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2003</u>
<u>Business-type activities -</u>				
Capital assets, not being depreciated				
Land	\$ 11,133,394	\$ 287,400	500	\$ 11,420,294
Construction in progress	<u>24,089,498</u>	<u>3,423,598</u>	<u>\$ 1,584,870</u>	<u>25,928,226</u>
Subtotal	\$ <u>35,222,892</u>	\$ <u>3,710,998</u>	\$ <u>1,585,370</u>	\$ <u>37,348,520</u>
Capital assets, being depreciated -				
Structures and improvements	\$ 53,719,172	\$ 895,817	\$ 49,543	\$ 54,565,446
Transmission and distribution mains	125,195,007	12,057,809	19,341	137,233,475
Electric plant	62,301,318	6,404,271	503,480	68,202,109
Water storage rights		3,051,429		3,051,429
Unamortized plant acquisition	40,255	836,869		877,124
Equipment	<u>30,189,941</u>	<u>1,121,813</u>	<u>905,711</u>	<u>30,406,043</u>
Subtotal	\$ 271,445,693	\$ 24,368,008	\$ 1,478,075	\$ 294,335,626
Less accumulated depreciation	<u>(57,085,210)</u>	<u>(8,165,571)</u>	<u>1,430,126</u>	<u>(63,820,655)</u>
Capital assets, being depreciated, net	\$ <u>214,360,483</u>	\$ <u>16,202,437</u>	\$ <u>47,949</u>	\$ <u>230,514,971</u>
Capital assets, net	\$ <u>249,583,375</u>	\$ <u>19,913,435</u>	\$ <u>1,633,319</u>	\$ <u>267,863,491</u>

Depreciation was charged to functions as follows:

 Business-type activities:

Water and sewer	\$ 5,665,502
Electric	2,481,411
Cemetery	<u>18,658</u>
Total business-type activities depreciation expense	\$ <u>8,165,571</u>

Note G - LONG-TERM LIABILITIES

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15-year serial bonds with equal amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	4.75-4.90%	\$ 5,330,000
Governmental activities –refunding	5.00-5.60%	7,340,000
Business-type activities	6.80-6.85%	405,000
Business-type activities	5.00-5.60%	<u>935,000</u>
		\$ <u>14,010,000</u>

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note G - LONG-TERM LIABILITIES (continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 3,780,000	\$ 559,035	\$ 260,000	\$ 70,370
2005	2,950,000	393,137	280,000	54,134
2006	2,005,000	267,458	295,000	36,656
2007	1,250,000	182,800	160,000	23,470
2008	1,310,000	113,025	170,000	14,475
2009	1,375,000	38,500	175,000	4,900
	<u>\$ 12,670,000</u>	<u>\$ 1,553,955</u>	<u>\$ 1,340,000</u>	<u>\$ 204,005</u>

In July 2003, the Water and Sewer System Revenue and Tax Bonds, Series 1993, dated July 1, 1993 and the General Improvement Bonds, Series 1993, dated July 1, 1993, were redeemed and replaced with a new issuance of bonds dated June 1, 2003 in the amount of \$7,115,000.

Revenue Bonds

Electric System Revenue Bonds are collateralized by an irrevocable first lien and pledge of the income and revenues derived and to be derived from the operation of the Electric Department after deduction therefrom of the amount necessary to pay all operating, maintenance, replacement, and betterment charges of the Department as required by applicable bond ordinances. The Department is also required to maintain rates sufficient (1) to pay all maintenance, depreciation, replacement, betterment, and interest charges, (2) to establish and maintain the interest and sinking fund and the reserve fund and (3) to pay in addition all outstanding indebtedness against the Department other than bonds. Revenue bonds outstanding at the end of the year are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Electric Department - Series 1995	5.15-5.50%	\$ 1,975,000
Electric Department - Series 1999	4.50-5.00%	<u>4,750,000</u>
		<u>\$ 6,725,000</u>

Maturities of the revenue bonds are as follows:

Year Ending June 30,	<u>Principal</u>	<u>Interest</u>
2004	\$ 810,000	\$ 327,771
2005	850,000	289,761
2006	885,000	249,636
2007	925,000	208,443
2008	580,000	164,367
2009-2013	2,295,000	400,229
2014	<u>380,000</u>	<u>19,000</u>
	<u>\$ 6,725,000</u>	<u>\$ 1,659,207</u>

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note G - LONG-TERM LIABILITIES (continued)

Tennessee Municipal Bond Fund Loans

The City participated in the Tennessee Municipal Bond Fund Loan program and entered into loan agreements from the Public Building Authority of the City of Clarksville, Tennessee. Tennessee Municipal Loans outstanding at year end are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	Variable	\$ 75,671,405
Business-type activities	Variable	<u>9,629,310</u>
		<u>\$ 85,300,715</u>

Interest rates are set by the remarketing agent and are based on the market price of the bonds underlying the loans.

Annual debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 10,127,341	\$ 1,152,427	\$ 1,192,925	\$ 246,848
2005	8,930,106	1,000,194	1,248,037	220,058
2006	9,329,906	863,977	1,307,224	191,977
2007	8,409,857	723,109	1,368,325	162,514
2008	8,239,322	593,181	1,181,775	131,926
2009-2013	29,815,687	1,134,782	3,331,024	247,651
2014-2018	<u>819,186</u>	<u>14,936</u>		
	<u>\$ 75,671,405</u>	<u>\$ 5,482,606</u>	<u>\$ 9,629,310</u>	<u>\$ 1,200,974</u>

Loans Payable - Utility Plant Acquisition – During the fiscal year ended June 30, 2003, the Murfreesboro Electric Department purchased certain customers and utility plant from the Middle Tennessee Electric Membership Corporation. The purchase price was \$1,102,045 representing \$143,798 in net plant allocated to specific plant accounts and \$958,247 in lost revenue allocated to plant acquisition adjustments. The down payment was \$332,784 resulting in a balance due of \$769,261 payable annually in equal installments of \$76,926 over a ten year period starting June 30, 2003.

State Revolving Loan – The Water and Sewer Department has two state revolving loans to fund the Wastewater Facilities Project. The total approved amounts of the loans were \$58,000,000 and \$900,000 at June 30, 2003. The Department is required only to make monthly interest payments at a rate between 4.24% and 4.28% per annum. Upon completion of the project or upon drawing 90% of the \$58,000,000 and 90% of the \$900,000, respectively, whichever comes first, the Department is required to begin making principal and interest payments. Annual debt service requirements to maturity are as follows:

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note G - LONG-TERM LIABILITIES (continued)

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2004	\$ 1,973,100	\$ 2,172,264
2005	2,058,408	2,086,956
2006	2,147,400	1,997,964
2007	2,240,244	1,905,120
2008	2,337,096	1,808,268
2009-2013	13,291,347	7,435,473
2014-2018	16,423,933	4,302,887
2019-2021	12,419,765	815,076
	<u>\$ 52,891,293</u>	<u>\$ 22,524,008</u>

Long-term liability activity for the year ended June 20, 2003, was as follows:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2003</u>	<u>Due Within</u> <u>One Year</u>
<i>Governmental Activities -</i>					
General obligation bonds	\$ 16,770,000		\$ 4,100,000	\$ 12,670,000	\$ 3,780,000
Tennessee Municipal Bond Fund Loans	<u>76,776,298</u>	<u>\$ 14,888,135</u>	<u>12,630,614</u>	<u>79,033,819</u>	<u>10,473,841</u>
	\$ 93,546,298	\$ 14,888,135	\$ 16,730,614	\$ 91,703,819	\$ 14,253,841
Estimated landfill closure costs	1,812,000		565,000	1,247,000	1,247,000
Compensated absences	1,924,033	1,307,931	1,140,354	2,091,610	479,325
Claims and judgments	2,557,272	1,154,170	1,536,442	2,175,000	870,000
Tennessee Municipal Bond Fund Loans reported by Water and Sewer Fund (1)	(3,690,766)		(328,352)	(3,362,414)	(346,500)
Governmental activity - Long-term liabilities	<u>\$ 96,148,837</u>	<u>\$ 17,350,236</u>	<u>\$ 19,644,058</u>	<u>\$ 93,855,015</u>	<u>\$ 16,503,666</u>

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note G - LONG-TERM LIABILITIES (continued)

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2003</u>	<u>Due Within</u> <u>One Year</u>
<i>Business-type Activities -</i>					
General obligation bonds	\$ 1,585,000		\$ 245,000	\$ 1,340,000	\$ 260,000
Revenue Bonds	7,500,000		775,000	6,725,000	810,000
Matured bonds payable	36,002			36,002	
Less: deferred amounts -					
For issuance discounts	(57,608)		(5,626)	(51,982)	
On refunding	(77,059)		(6,467)	(70,592)	
Total bonds payable	\$ 8,986,335		\$ 1,007,907	\$ 7,978,428	\$ 1,070,000
Loans from State of Tennessee	1,432,586		1,432,586	-	
State revolving loan	53,009,987	\$ 1,760,722	1,879,416	52,891,293	2,743,108
Compensated absences	661,059	798,826	460,836	999,049	551,958
Tennessee Municipal Bond Fund Loan	590,975	6,461,179	785,258	6,266,896	846,425
Loans payable - Utility plant acquisition	32,710	1,102,045	442,420	692,335	76,926
	\$ 64,713,652	\$ 10,122,772	\$ 6,008,423	\$ 68,828,001	\$ 5,288,417
Tennessee Municipal Bond Fund Loan (1)	3,690,766		328,352	3,362,414	346,500
Business-type activity -					
Long-term liabilities	\$ 68,404,418	\$ 10,122,772	\$ 6,336,775	\$ 72,190,415	\$ 5,634,917

Note H - CONSERVATION PROGRAMS

The Murfreesboro Electric Department is a fiscal intermediary for the Tennessee Valley Authority's conservation programs. At June 30, 2003, outstanding funds advanced by TVA totaled \$582,135 to be used by the customers of the Department in connection with TVA's insulation, water heater, and heat pump conservation programs. At June 30, 2003, the outstanding receivables for loans made from these funds amounted to \$567,940.

Note I - EMPLOYEE PENSION PLANS

The City maintains two single employer defined benefit pension plans (the City of Murfreesboro Employees' Pension Plan and the Murfreesboro Electric Department Employee Pension) and participates in the Tennessee Consolidated Retirement System, an agent, multiple-employer public employee retirement system (PERS). The City of Murfreesboro Employees' Pension Plan and the Murfreesboro Electric Department Employee Pension are included in the accompanying financial statements as pension trust funds.

The following is a summary of each of these plans:

City of Murfreesboro Administered Pension Plans
Plan Descriptions and Provisions -

City of Murfreesboro Employees' Pension Plan - The defined benefit pension plan covers all City employees except those employees of the school system, the Evergreen Cemetery Commission and electric department. All other departments of the City, including the water and sewer department, are covered by the plan. The funds of the retirement plan are invested in trust funds managed by the SunTrust Bank, Nashville, N.A., and Cavalry Banking, which serve as Trustees for the plan.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note I - EMPLOYEE PENSION PLANS (continued)

In accordance with the City Code, subject to approval by the City Council, pension plan provisions may be established or amended by the pension committee. Contribution rates are recommended by the pension committee based on the annual actuarial valuation report, and must also be approved by City Council.

Employees become eligible to participate upon completion of ninety days of employment. The plan provides for a basic monthly pension beginning at normal retirement age, a disability benefit, and a death benefit prior to retirement, all of which are based upon the monthly compensation of the participant. The plan was amended on July 1, 1988 to make the plan noncontributory whereby the employer contributes the entire amount necessary to fund the system. The funding policy is to contribute 9.84% of covered salary. The plan has historically made contributions equal to the annual required contribution amount, as developed actuarially. For the fiscal year ending June 30, 2002, the actual contribution was slightly less than the required contribution. Historically, the funding policy of 9.84% has been greater than the required amounts, resulting in a negative net pension obligation (NPO). Prior to July 1, 1988, employees were required to contribute toward the cost of pension compensation. Consequently, some participants who terminate employment will receive lump-sum distributions. Members with less than five years of service receive a refund of their contributions, and members with five years or more of service receive a refund of contributions and accumulated interest at the rate of 7.5% per annum.

The plan was also amended on July 1, 1988 concerning age of retirement. In past years, the plan provided for a basic monthly pension beginning at normal retirement age. The plan as amended provides for a basic monthly pension beginning at age 55, instead of 65, provided the participant has at least 30 years of service. Actuarial assumptions have been revised periodically to reflect actual plan experience and expectations regarding future events. The most recent assumption revision was on July 1, 2002 and changed the asset valuation method from the mean of book and market approach to the five-year smoothing method. The City has the right to further amend or terminate the plan.

The City uses the accrual basis of accounting for the plan. Investment income is recognized when it is earned and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the plan.

The plan does not issue a separate financial report, but is included in the accompanying financial statements as a pension trust fund.

There was one investment in a mutual fund representing more than 5% of the net assets available for benefits. The STI Classic Fund – Growth and Income Fund had a balance of \$2,274,721 representing 5.36% of the net assets available for benefits.

The costs of administering the plan is financed by the City of Murfreesboro's general fund.

There are no related party transactions involving the pension trust.

Murfreesboro Electric Department Employee Pension - The Murfreesboro Electric Department provides a defined benefit pension plan with contributions made to a separate fund named the Murfreesboro Electric Department Pension Trust. Pension plan provisions may be established or amended by the Board of the Murfreesboro Electric Department under the authority of the pension trust document. The Board approves contribution rates based on recommendations included in the annual actuarial valuation report. The plan covers all full-time employees upon the completion of one year of service and attainment of age 25. Upon retirement, the participant's monthly benefit is determined based upon 2% of the highest five years of average monthly compensation multiplied by years of employment up to thirty years. Normal retirement age is 60, but a participant may retire at age 55 upon the completion of 10 years of service. Participants are fully vested after five years of credited service. Lump sum payments of deferred vested benefits valued at less than \$10,000 can be made to terminated participants at the discretion of the Retirement Committee.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note I - EMPLOYEE PENSION PLANS (continued)

The Plan has received and maintains a favorable determination letter from the Internal Revenue Service concerning its tax-exempt status.

The cost of the plan is borne solely by the employer. Participant contributions are not allowed.

The plan issues a publicly available financial report that includes financial statements and required supplementary information for the plan. This report may be obtained by writing or calling the plan at:

Murfreesboro Electric Department Pension Plan
P.O. Box 9
Murfreesboro, Tennessee 37133
615-893-5514

There were no investments representing more than 5% of the net assets available for benefits.

There are no related party transactions involving the pension trust.

Current membership in each of these plans was comprised of the following as of the actuarial valuation date:

	<u>Murfreesboro Electric Department Pension</u>	<u>City of Murfreesboro Employees' Pension</u>
Retired Participants and Terminated Participants with Deferred Vested Benefits	22	182
Active Participants	<u>58</u>	<u>717</u>
	<u>80</u>	<u>899</u>

Funding Policy and Annual Pension Cost – The annual pension cost for the current year and related information for each plan is as follows:

	<u>Murfreesboro Electric Department Pension</u>	<u>City of Murfreesboro Employees' Pension</u>
Annual pension cost	\$ 493,679	\$ 2,466,414
Contributions made	\$ 493,679	\$ 2,452,752
Actuarial valuation date	August 1, 2003	July 1, 2002
Actuarial cost method	Frozen Entry Age	Frozen Entry Age
Amortization method	Level dollar	Level dollar
Amortization period-open	30 years	40 years
Remaining amortization period	28 years	39 years

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note I - EMPLOYEE PENSION PLANS (continued)

Asset valuation method	Market	Five-year Smoothing
Actuarial assumptions:		
Investment rate of return	7.0%	7.5%
Projected salary increases	4.5%	5.0%
Inflation rate	N/A	N/A

Three-Year Trend Information

	Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Benefit)
Murfreesboro Electric	07/31/01	\$ 152,664	100.00%	\$ -0-
Department Pension	07/31/02	316,692	100.00%	-0-
	07/31/03	493,679	100.00%	-0-
City of Murfreesboro	07/01/00	\$ 1,473,113	147.13%	\$(1,217,556)
Employee's Pension	07/01/01	1,835,308	125.32%	(1,648,106)
	07/01/02	2,459,161	99.74%	(1,634,444)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
Murfreesboro Electric Department Pension:						
08/01/01	\$ 8,599,659	\$ 8,599,659	\$ -0-	100.0%	\$ 2,939,605	0.0%
08/01/02	7,940,195	8,435,574	495,379	94.1%	2,872,520	17.3%
08/01/03	8,549,258	9,032,554	483,296	94.6%	2,861,365	16.9%
City of Murfreesboro Employees' Pension:						
07/01/00	\$ 40,957,607	\$ 41,386,756	\$ 429,149	99.0%	\$ 21,946,101	2.0%
07/01/01	43,201,827	48,522,986	5,321,159	89.0%	25,165,651	21.1%
07/01/02	48,643,679	52,688,816	4,045,137	92.3%	26,004,236	15.6%

The net benefit pension obligation has been calculated for the City of Murfreesboro Employees' Pension plan as follows:

Annual Required Contribution	\$ 2,459,161
Interest on net pension obligation	(123,608)
Adjustment to annual required contribution	130,861
Annual pension cost	\$ 2,466,414
Contributions made	(2,452,752)
Increase in net pension obligation	\$ 13,662
Net pension obligation beginning of year	(1,648,106)
Net pension obligation end of year	\$(1,634,444)

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2003

Note I - EMPLOYEE PENSION PLANS (continued)

Tennessee Consolidated Retirement System

Plan Description – Employees of the Murfreesboro City School System are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 (five) years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after 5 (five) years of service and members joining prior to July 1, 1979 were vested after 4 years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the Murfreesboro City School System participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, Tennessee 37242-0230 or can be accessed at www.treasury.state.tn.us.

Funding Policy – The Murfreesboro City School System is noncontributory and has assumed employee contributions up to 5.0 percent of annual covered payroll.

The Murfreesboro City School System is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2003 was 8.42% of annual covered payroll. Contribution requirements for the Murfreesboro City School System are established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost – For the year ending June 30, 2003, the Murfreesboro City School System's annual pension cost of \$390,887 to TCRS was equal to the Murfreesboro City School System's required and actual contributions.

The required contribution was determined as a part of the July 1, 2001 actuarial valuation using the frozen initial liability actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total assets over a five-year period. The Murfreesboro City School System's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period is 12 years.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Trend Information</u>	
		<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/01	\$ 325,072	100.00%	\$ -0-
6/30/02	347,503	100.00%	-0-
6/30/03	390,887	100.00%	-0-

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2003

Note I - EMPLOYEE PENSION PLANS (continued)

Schedule of Funding Progress for the Murfreesboro City School System -

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/c</u>
06/30/97	\$ 6,468,000	\$ 6,468,000	\$ - 0 -	100.00%	\$ 3,268,000	0.00%
07/01/99	7,829,000	7,829,000	- 0 -	100.00%	3,537,000	0.00%
07/01/01	9,158,000	9,173,000	15,000	99.84%	4,324,000	0.35%

Teachers' Plan

Plan Description - The Murfreesboro City School System contributes to the State Employees, Teachers, and Higher Education Employees Pension plan (SETHEEP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979 are vested after five years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage of change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at www.treasury.state.tn.us. Separate pension information pertaining solely to the Murfreesboro City School System is not available.

Funding Policy - Most teachers are required by state statutes to contribute 5 percent of salary to the plan. The employer contribution rate for Murfreesboro City Schools is established at an actuarially determined rate. The rate for the fiscal year ending June 30, 2003 was 3.40 percent of annual covered payroll. The employer contribution requirement for Murfreesboro City Schools is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ending June 30, 2003, 2002, and 2001 were, \$640,336, \$686,900, and \$660,034, respectively, and were equal to the required contributions for each year.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note J - DEFERRED COMPENSATION PLANS

The City of Murfreesboro and the Murfreesboro Electric Department offer employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City and Department employees, permit them to defer a portion of their salary until future years.

As of July 1, 1998, the City and the Murfreesboro Electric Department implemented a new standard requiring changes to the accounting and financial reporting for the deferred compensation plans created in accordance with Internal Revenue Code 457. The plans are administered by an independent plan administrator. The City's administrative involvement is limited to transmitting amounts withheld from payroll to the plan administrator who performs investing functions.

Amendments to the laws governing Section 457 plans require that plan assets are held in trust for the benefit of the plan participants and their beneficiaries. The assets will not be diverted to any other purpose. Therefore, the financial activity of these plans is no longer reported in the City's financial statements.

Note K - OTHER POST-EMPLOYMENT BENEFITS

In addition to pension benefits, the City of Murfreesboro and the Murfreesboro Electric Department, provides certain health care and life insurance benefits for retired employees. Substantially all of the City's and the Department's employees may become eligible for those benefits if they reach normal retirement age while working for the City. Currently, ninety-nine City retirees and sixteen Electric Department retirees are receiving benefits. The cost of retiree health care and life insurance benefits is recognized as expense as paid. For the year ended June 30, 2003, those costs totaled approximately \$344,777 for the City and \$97,000 for the Electric Department. Provisions related to other post-employment benefits are established or amended by the City Council and the Board of the Murfreesboro Electric Department.

Note L - COMMITMENTS AND CONTINGENCIES

Guarantee of Indebtedness - Waterworks and sewer improvement bonds, and the interest thereon, are payable primarily from the revenue of the water and sewer system, subject to prior pledges in favor of certain outstanding obligations. In the event of a deficiency in such revenues, the bonds and the interest thereon will be payable from ad valorem taxes to be levied on all taxable property within the City, irrevocably pledging the full faith and credit of the City.

Landfill Closure - The City has been notified by the State of Tennessee that certain tests and closure are necessary in connection with a landfill that was operated by the City during the period of 1968 through 1974. The City has also been notified that another site used as a waste dump by the City between 1940 and 1965 has been investigated by the Tennessee Superfund and was found to contain toxic waste. The City is currently performing required cleanup operations on these sites. The City's engineer estimates that additional costs required will approximate \$1,247,000. Accordingly, this amount has been accrued as a liability on the government-wide statement of net assets.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note L - COMMITMENTS AND CONTINGENCIES (continued)

Construction – The City has entered into agreements for construction as follows:

	Project <u>Authorization</u>	Expended <u>To Date</u>	Remaining <u>Commitment</u>
Northfield Blvd.	\$ 3,761,664	\$3,276,425	\$ 485,239
Samsonite Blvd.	2,845,021	1,081,428	1,763,593
Patterson Park	316,315	182,993	133,322
Siegel Road Improvements	1,640,508	829,781	810,727
Osborne Lane	1,659,266	844,571	814,695
Medical Center Parkway	3,547,077	1,745,479	1,801,598
Sanbyrn Drive Improvements	1,741,982	1,562,756	179,226
Old Fort Golf Course	2,434,061	922,257	1,511,804
Manson Pike Improvements	2,133,120	138,350	1,994,770
Saint Andrews Drive	3,519,576	761,618	2,757,958
Communications Center	630,536	545,181	85,355
	<u>\$ 24,229,126</u>	<u>\$ 11,890,839</u>	<u>\$ 12,338,287</u>

Grantor Agencies - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The City is disputing audit claims from the U.S. Department of Justice – Office of Community Oriented Policing Services (COPS) necessary to obtain closure of a recent audit. The COPS office is asking for substantiation of approximately \$1,155,425. The City has provided the COPS office with additional information; however, a response from the COPS office has not been received. Of the \$1,155,425, the City has accrued \$57,693 as an amount due back to the federal government. Disallowed costs, if any, resulting from this audit over the \$57,693 would have to be absorbed by the City.

Pending Lawsuits - The City and its component units are parties to various lawsuits claiming damages for personal injury and property damage in automobile and general liability cases, as well as miscellaneous other litigation. Some amounts in these matters are substantial. In the opinion of the City attorney, the City should prevail in most of the litigation that is not fully insured or barred by the statute of limitations. In any event, the likelihood that the City would incur aggregate liability arising from such litigation in an amount that would be material in relation to its financial position is remote.

Note M - LEASES

The City receives rental income principally for real property from various agencies. Future minimum rental commitments under these leases are insignificant. Rental income from these sources totaled approximately \$267,032 for the year ended June 30, 2003.

Note N – PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2003, management became aware of substantial fixed assets that were not recorded by the City with the initial implementation of GASB 34 in the previous year. A prior period adjustment of \$ 4,443,032 to net capital assets (capital asset additions of \$7,288,859 net of accumulated depreciation of \$2,845,827) has been recorded on the government-wide financial statements. At June 30, 2002 with the first implementation of GASB 34, the city failed to record its negative net pension obligation (NPO) as an asset on the government-wide financial statements. At June 30, 2003 a prior period adjustment of \$1,634,444 was made to reflect the negative NPO at the beginning of the year. Also, a prior period adjustment was made to correct an error in the prior year due to the over accrual of property taxes receivable in the amount of \$2,332,347. The net effect of these adjustments resulted in an increase of \$3,745,129 in net assets as reported in the government-wide financial statements as of June 30, 2002.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (continued)

June 30, 2003

Note O - INTERFUND TRANSACTIONS

During the course of normal operations, the City has numerous transactions between funds including expenditures and transfers of resources primarily to provide services. The governmental and proprietary fund financial statements generally reflect such transactions as transfers.

Interfund receivable and payable balances at June 30, 2003, arising from these transactions were as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund		
Water and Sewer Department	\$ 38,115	
Nonmajor governmental funds	1,625,370	\$ 852,519
Nonmajor enterprise funds		32,412
Internal service funds	538	366,892
	<u>\$ 1,664,023</u>	<u>\$ 1,251,823</u>
General Purpose School Fund		
Nonmajor governmental funds	\$ 377,790	\$ 115,698
2001 TML Fund		
Nonmajor governmental funds	\$ 73,596	
Nonmajor Governmental Funds		
General fund	\$ 852,519	\$ 1,625,370
General purpose school fund	115,698	377,790
Internal service funds		2,500,000
2001 TML fund		73,596
	<u>\$ 968,217</u>	<u>\$ 4,576,756</u>
Water and Sewer Fund		
Internal service funds		\$ 16,286
General fund		38,115
		<u>\$ 54,401</u>
Nonmajor Enterprise Funds		
General fund	\$ 32,412	
Internal Service Funds		
General fund	\$ 366,892	\$ 538
Water and Sewer fund	16,286	
Nonmajor governmental funds	2,500,000	
Transfers between internal service funds	982	982
	<u>\$ 2,884,160</u>	<u>\$ 1,520</u>
	<u>\$ 6,000,198</u>	<u>\$ 6,000,198</u>

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2003

Note O - INTERFUND TRANSACTIONS (continued)

Interfund transfers during the year ended June 30, 2003 were as follows:

	Transfer From		
	General Fund	Nonmajor Governmental Funds	Total
General purpose			
school fund	\$ 4,510,000	\$ 969,424	\$ 5,479,424
Debt service	14,492,169	4,103,321	18,595,490
Nonmajor			
governmental funds	6,943,206	6,000	6,949,206
Nonmajor			
enterprise fund		57,614	57,614
	<u>\$ 25,945,375</u>	<u>\$ 5,136,359</u>	<u>\$ 31,081,734</u>

Transfers among funds are provided for as part of the annual budget process. Transfers are used to move revenues from the fund required to collect the revenue to the fund required or authorized to expend them.

In the year ended June 30, 2003, the City transferred \$3,663,496 from proceeds from the sale of land to the debt service fund from the commerce park development fund for the repayment of debt. All other interfund transfers for the fiscal year were routine in nature.

Note P - RISK MANAGEMENT PROGRAM

General, Workers' Compensation, and Auto Liability - The City established a self-insurance program for general liability and workers' compensation during the fiscal year ended June 30, 1986. The automobile liability was added to the self-insurance program during the fiscal year ended June 30, 1988. Premiums are paid into the Risk Management Fund by all City funds requiring insurance and the public library and are available to pay claims, claim reserves, and administrative costs of the program. Claims for the fiscal year ended June 30, 2003 were \$1,154,570. Claims for fire and extended coverage in excess of \$100,000 are covered through commercial insurance. Claims for law enforcement liability in excess of \$10,000 are also covered through commercial insurance. There are no other excess coverage insurance policies. Amounts reserved in the fund are designated for future claims not yet made and not accrued.

Group Health - The City provides medical insurance through a group self-insurance program plan. Blue Cross/Blue Shield of Tennessee acts as the administrator of the plan. Insurance premiums are paid into the Insurance Fund from the General Fund and the Water and Sewer Department. In addition, employees and retired employees pay for a portion of the total premiums paid into the fund. Claims are paid to Blue Cross/Blue Shield from the Insurance Fund up to a maximum of \$50,000 for each medical claim. A rider policy covers claims for certain transplant surgery (heart, heart and lung, liver and pancreas). Administrative costs and claims for the fiscal year ended June 30, 2003 were \$5,090,823.

CITY OF MURFREESBORO, TENNESSEE

Notes to Financial Statements (Continued)

June 30, 2003

Note P - RISK MANAGEMENT PROGRAM (continued)

As of February 1, 1998, the City no longer provided medical coverage for employees of the City School System. The City is responsible for any City Schools' claims dated prior to February 1, 1998.

Claims Liability - The claims liability reported in the Insurance Fund and the Risk Management Fund at June 30, 2003 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the Funds' claims liability amounts during the year ended June 30, 2003 were as follows:

<u>Fiscal Year</u>	<u>Liability at Beginning</u>	<u>Current Year Claims and Change in Estimate</u>	<u>Claim Payments</u>	<u>Liability at End</u>
Risk Management Fund -				
2002	\$ 2,655,637	\$ 1,671,026	\$ 1,769,391	\$ 2,557,272
2003	2,557,272	1,154,170	1,536,442	2,175,000
Insurance Fund -				
2002	206,314	4,412,634	4,421,553	197,395
2003	197,395	5,090,823	5,010,987	277,231

The City had no significant reductions in insurance coverage from coverage in the prior year. Settled claims have not exceeded commercial insurance coverage in any of the past three years.

Note Q - CHANGE IN ACCOUNTING ESTIMATE

The City reevaluated and changed its estimated liability for landfill post-closure costs from \$1,812,000 at June 30, 2003 to \$1,247,000 at June 30, 2003. The decrease in the estimated liability is recorded in the government-wide statement of activities for the current year in the amount of \$565,000.

Note R - NEW ACCOUNTING AND REPORTING STANDARDS

As noted above, pursuant to GASB Statement No. 34, for all fiscal years beginning after June 15, 2005, the City must retroactively report all infrastructure assets acquired before July 1, 2001. The City expects to accomplish retroactive reporting of infrastructure prior to that deadline; however, the City has not yet determined the full impact that the retroactive reporting of infrastructure will have on the financial statements.

CITY OF MURFREESBORO, TENNESSEE

Required Supplementary Information
Pension Trust Funds

Schedule of Funding Progress

June 30, 2003

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Annual Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
City of Murfreesboro Employees' Pension Plan -						
7/1/93	\$ 19,925,891	\$ 20,999,175	\$ 1,073,284	94.9 %	\$ 12,288,541	8.7 %
7/1/94	22,151,399	23,908,009	1,756,610	92.7	13,407,857	13.1
7/1/95	24,376,907	26,816,843	2,439,936	90.9	14,527,173	16.8
7/1/96	26,836,616	28,413,649	1,577,033	94.4	15,682,908	10.1
7/1/97	29,054,494	29,768,624	714,130	97.6	16,838,643	4.2
7/1/98	33,278,248	34,593,236	1,314,988	96.2	18,076,609	7.3
7/1/99	37,229,437	37,874,813	645,376	98.3	19,735,090	3.3
7/1/00	40,957,607	41,386,756	429,149	99.0	21,946,101	2.0
7/1/01	43,201,827	48,522,986	5,321,159	89.0	25,165,651	21.1
7/1/02	48,643,679	52,688,816	4,045,137	92.3	26,004,236	15.6
Murfreesboro Electric Department Employee Pension Plan -						
8/1/94	\$ 4,640,330	\$ 5,428,679	\$ 788,349	85.5 %	\$ 2,039,601	38.7 %
8/1/95	5,138,222	5,848,394	710,172	87.9	2,092,987	33.9
8/1/96	5,487,674	6,127,779	640,105	89.6	2,185,681	29.3
8/1/97	6,466,513	7,031,646	565,133	92.0	2,440,603	23.2
8/1/98	7,286,432	7,771,345	484,913	93.8	2,508,302	19.3
8/1/99	8,189,914	8,588,992	399,078	95.4	2,630,079	15.2
8/1/00	9,412,742	9,412,742	-0-	100.0	2,834,305	0.0
8/1/01	8,599,659	8,599,659	-0-	100.0	2,939,605	0.0
8/1/02	7,940,195	8,435,574	495,379	94.1	2,872,520	17.3
8/1/03	8,549,258	9,032,554	483,296	94.6	2,861,365	16.9

CITY OF MURFREESBORO, TENNESSEE

Required Supplementary Information
Pension Trust Funds

Schedule of Employer Contributions

June 30, 2003

<u>Fiscal Year</u>	<u>Murfreesboro Employees' Pension</u>		<u>Electric Department Pension</u>	
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1994	\$ 1,049,373	100 %	\$ 139,468	100 %
1995	1,251,089	100	206,281	100
1996	1,304,734	100	214,958	100
1997	1,376,802	100	240,689	100
1998	1,489,619	100	221,626	100
1999	1,471,683	100	207,274	100
2000	1,473,113	147	180,847	100
2001	1,835,308	125	152,664	100
2002	2,459,161	100	316,692	100
2003	2,424,202	100	493,679	100

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues -				
Taxes -				
Property	\$ 22,708,159	\$ 22,708,159	\$ 22,693,960	\$ (14,199)
Property in lieu of taxes -				
Public utilities	633,444	633,444	692,455	59,011
Murfreesboro Electric Department	1,260,000	1,260,000	1,312,275	52,275
Murfreesboro Housing Authority	71,000	71,000	82,719	11,719
Other tax equivalents	22,550	22,550	23,641	1,091
Recovery of taxes deemed uncollectible	200,000	200,000	457,004	257,004
Penalty and interest on taxes	150,000	150,000	216,274	66,274
Other local taxes -				
Sales tax	18,026,700	18,026,700	17,620,360	(406,340)
Beer tax	1,700,000	1,700,000	1,806,197	106,197
Liquor tax	375,000	375,000	412,543	37,543
Gross receipts tax	1,200,000	1,200,000	1,221,734	21,734
Beer privilege tax	20,000	20,000	18,375	(1,625)
Liquor privilege tax	35,000	35,000	38,512	3,512
Hotel/motel tax	460,000	460,000	487,494	27,494
	<u>\$ 46,861,853</u>	<u>\$ 46,861,853</u>	<u>\$ 47,083,543</u>	<u>\$ 221,690</u>
Licenses, Permits and Fines -				
Electrical licenses	\$ 51,000	\$ 51,000	\$ 53,730	\$ 2,730
Gas and mechanical licenses	9,000	9,000	7,925	(1,075)
Building permits	1,200,000	1,200,000	1,459,053	259,053
Plumbing permits	145,000	145,000	172,105	27,105
Electrical permits	15,000	15,000	14,343	(657)
Mechanical permits	137,000	137,000	105,333	(31,667)
Gas permits	24,000	24,000	29,871	5,871
Fireworks permits	1,000	1,000	1,500	500
Beer application fees	12,000	12,000	9,800	(2,200)
Burglar alarm permits	30,000	30,000	52,910	22,910
Plat review fee	32,000	32,000	49,179	17,179
Other fees	5,000	5,000	6,040	1,040
Attorney tax fees	10,000	10,000	16,178	6,178
Court fines	2,050,000	2,050,000	1,770,144	(279,856)
Burglar false alarm fees	15,000	15,000	6,350	(8,650)
Other fines and fees	110,000	110,000	132,885	22,885
	<u>\$ 3,846,000</u>	<u>\$ 3,846,000</u>	<u>\$ 3,887,346</u>	<u>\$ 41,346</u>

(continued)

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Intergovernmental Revenues -				
Rutherford County	\$ 54,034	\$ 54,034	\$ 95,991	\$ 41,957
State sales tax allocation	4,009,500	4,009,500	4,190,884	181,384
State beer tax allocation	33,500	33,500	35,761	2,261
State gasoline tax allocation	158,825	158,825	158,122	(703)
State mixed drink tax	310,000	310,000	341,884	31,884
State gross receipts tax	450,000	450,000	449,101	(899)
State income tax allocation	600,000	600,000	401,158	(198,842)
State excise tax	100,000	100,000	119,864	19,864
State maintenance of streets	219,035	219,035	205,968	(13,067)
Federal funds	96,995	296,995	558,102	261,107
Other cities			14,726	14,726
	<u>\$ 6,031,889</u>	<u>\$ 6,231,889</u>	<u>\$ 6,571,561</u>	<u>\$ 339,672</u>
Charges for services				
Office	\$ 100	\$ 100	\$ 250	\$ 150
Planning department	20,000	20,000	26,781	6,781
Police department	40,000	40,000	48,532	8,532
Fire department	360,000	360,000	373,627	13,627
Street department	9,000	9,000	14,382	5,382
Building department	19,000	19,000	22,803	3,803
Maintenance department	11,475	11,475	12,575	1,100
	<u>\$ 459,575</u>	<u>\$ 459,575</u>	<u>\$ 498,950</u>	<u>\$ 39,375</u>
Miscellaneous Revenue -				
Interest	\$ 175,000	\$ 175,000	\$ 245,258	\$ 70,258
Gas franchise revenue	862,000	862,000	1,113,820	251,820
Contribution - Active funds	881,342	881,342	884,547	3,205
Miscellaneous revenue	130,450	130,450	182,334	51,884
Donations received			8,353	8,353
	<u>\$ 2,048,792</u>	<u>\$ 2,048,792</u>	<u>\$ 2,434,312</u>	<u>\$ 385,520</u>
TOTAL REVENUES	<u>\$ 59,248,109</u>	<u>\$ 59,448,109</u>	<u>\$ 60,475,712</u>	<u>\$ 1,027,603</u>

(continued)

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)

Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures -				
Administrative and General -				
Labor	\$ 1,068,652	\$ 1,068,652	\$ 1,048,318	\$ 20,334
Operation and maintenance	79,600	79,600	58,806	20,794
Supplies	124,700	124,700	101,631	23,069
Gasoline and oil	220,000	220,000	229,005	(9,005)
Insurance	1,247,124	1,247,124	1,340,495	(93,371)
Social security taxes	1,452,241	1,452,241	1,434,159	18,082
Group insurance	2,832,869	2,832,869	2,805,887	26,982
Retirement	1,977,189	1,977,189	1,897,361	79,828
Unemployment insurance	20,000	20,000	25,449	(5,449)
Utilities	689,800	689,800	632,727	57,073
Fire hydrant rental	5,000	5,000		5,000
Travel and subsistence	47,800	47,800	48,655	(855)
Association dues	30,000	30,000	30,488	(488)
Professional fees	127,500	127,500	133,232	(5,732)
Training personnel	15,000	15,000	24,249	(9,249)
Additions to fixed assets	12,450	12,450	29,428	(16,978)
Other miscellaneous	288,600	288,600	261,464	27,136
	<u>\$ 10,238,525</u>	<u>\$ 10,238,525</u>	<u>\$ 10,101,354</u>	<u>\$ 137,171</u>
Police Department -				
Labor	\$ 7,996,527	\$ 7,996,527	\$ 7,889,033	\$ 107,494
Operation and maintenance	430,940	430,940	604,166	(173,226)
Supplies	108,000	108,000	129,284	(21,284)
Uniforms and cleaning	148,150	148,150	147,730	420
Training personnel	75,000	75,000	64,691	10,309
Jail fees and state cost	150,000	150,000	179,126	(29,126)
Drug programs	3,000	3,000	2,967	33
Felony enforcement program	4,000	4,000		4,000
D.A.R.E. program	12,500	12,500	13,392	(892)
Additions to fixed assets	95,398	95,398	70,467	24,931
Federal grants			89,000	(89,000)
Other miscellaneous	70,500	70,500	104,099	(33,599)
	<u>\$ 9,094,015</u>	<u>\$ 9,094,015</u>	<u>\$ 9,293,955</u>	<u>\$ (199,940)</u>
Fire Department -				
Labor	\$ 6,507,725	\$ 6,507,725	\$ 6,361,704	\$ 146,021
Operation and maintenance	121,200	121,200	170,605	(49,405)
Supplies	64,900	64,900	72,810	(7,910)
Uniforms and cleaning	128,600	128,600	120,634	7,966
Association dues	700	700	760	(60)
Training personnel	30,000	30,000	41,360	(11,360)
Internship programs	9,000	9,000	9,550	(550)
Additions to fixed assets	170,100	170,100	196,453	(26,353)
Other miscellaneous	5,000	5,000	9,712	(4,712)
	<u>\$ 7,037,225</u>	<u>\$ 7,037,225</u>	<u>\$ 6,983,588</u>	<u>\$ 53,637</u>

See notes to financial statements.

(continued)

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Judicial Department -				
Labor	\$ 231,483	\$ 231,483	\$ 221,788	\$ 9,695
Operation and maintenance	5,000	5,000	3,511	1,489
Supplies	14,525	14,525	13,321	1,204
Association dues	260	260	260	
Training personnel	2,500	2,500	1,324	1,176
Additions to fixed assets	4,740	4,740	4,951	(211)
Other miscellaneous	7,500	7,500	8,806	(1,306)
	<u>\$ 266,008</u>	<u>\$ 266,008</u>	<u>\$ 253,961</u>	<u>\$ 12,047</u>
Legal Department -				
Labor	\$ 324,856	\$ 324,856	\$ 291,437	\$ 33,419
Operation and maintenance	3,000	3,000	1,903	1,097
Supplies	44,000	44,000	28,809	15,191
Travel and subsistence	14,400	14,400	12,200	2,200
Association dues	3,800	3,800	2,288	1,512
Training personnel	6,500	6,500	4,646	1,854
Legal expense	10,000	10,000	16,822	(6,822)
Additions to fixed assets	2,500	2,500	1,578	922
Other miscellaneous	11,500	11,500	21,582	(10,082)
	<u>\$ 420,556</u>	<u>\$ 420,556</u>	<u>\$ 381,265</u>	<u>\$ 39,291</u>
Personnel Department -				
Labor	\$ 274,779	\$ 274,779	\$ 272,944	\$ 1,835
Operation and maintenance	8,358	8,358	7,236	1,122
Supplies	27,300	27,300	19,061	8,239
Travel and subsistence	2,400	2,400	2,400	
Drug programs	29,405	29,405	24,736	4,669
Additions to fixed assets	2,000	2,000	17,202	(15,202)
Other miscellaneous	10,990	10,990	6,460	4,530
	<u>\$ 355,232</u>	<u>\$ 355,232</u>	<u>\$ 350,039</u>	<u>\$ 5,193</u>
Streets -				
Labor	\$ 922,830	\$ 922,830	\$ 862,711	\$ 60,119
Operation and maintenance	112,000	112,000	147,928	(35,928)
Street lighting and signal maintenance			1,896	(1,896)
Curb, storm sewer, and right-of-way maintenance	165,000	165,000	229,666	(64,666)
Materials and supplies	78,000	78,000	104,474	(26,474)
Traffic control devices	25,000	25,000	21,300	3,700
Utility service - street lighting	930,000	930,000	828,747	101,253
Street improvements and maintenance	77,000	77,000	128,142	(51,142)
Travel and subsistence	20,600	20,600	19,776	824
Training personnel	4,500	4,500	2,203	2,297
Additions to fixed assets	12,350	12,350	9,563	2,787
Other miscellaneous	6,500	6,500	8,327	(1,827)
	<u>\$ 2,353,780</u>	<u>\$ 2,353,780</u>	<u>\$ 2,364,733</u>	<u>\$ (10,953)</u>

(continued)

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)

Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Planning and Engineering -				
Labor	\$ 1,102,792	\$ 1,102,792	\$ 1,067,125	\$ 35,667
Operation and maintenance	215,500	215,500	200,880	14,620
Supplies	61,200	61,200	35,618	25,582
Sampling and testing	8,000	8,000	5,055	2,945
Storm drainage	25,000	25,000	1,685	23,315
Travel and subsistence	75,600	75,600	73,371	2,229
Association dues	7,500	7,500	5,620	1,880
Surveys	130,000	130,000	100,605	29,395
Training personnel	10,000	10,000	8,844	1,156
Additions to fixed assets	16,050	16,050	23,118	(7,068)
Other miscellaneous	18,000	18,000	348	17,652
	<u>\$ 1,669,642</u>	<u>\$ 1,669,642</u>	<u>\$ 1,522,269</u>	<u>\$ 147,373</u>
Building Inspections -				
Labor	\$ 702,245	\$ 702,245	\$ 703,080	\$ (835)
Operation and maintenance	2,000	2,000	2,399	(399)
Supplies	19,500	19,500	17,363	2,137
Travel and subsistence	52,800	52,800	52,800	
Association dues	1,500	1,500	1,285	215
Training personnel	7,000	7,000	7,518	(518)
Additions to fixed assets	4,200	4,200	4,709	(509)
Other miscellaneous	1,600	1,600	379	1,221
	<u>\$ 790,845</u>	<u>\$ 790,845</u>	<u>\$ 789,533</u>	<u>\$ 1,312</u>
Urban Environmental Department -				
Labor	\$ 293,857	\$ 293,857	\$ 275,331	\$ 18,526
Operation and maintenance	16,500	16,500	19,960	(3,460)
Agricultural materials	20,000	20,000	19,798	202
Supplies	8,700	8,700	8,633	67
Travel and subsistence	4,800	4,800	4,800	
Training personnel	2,750	2,750	1,475	1,275
Additions to fixed assets	3,500	3,500	7,409	(3,909)
Other miscellaneous	1,000	1,000	512	488
	<u>\$ 351,107</u>	<u>\$ 351,107</u>	<u>\$ 337,918</u>	<u>\$ 13,189</u>

(continued)

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public Health, Safety and Other -				
Cash budget payments -				
Rutherford County Health Department	\$ 11,000	\$ 11,000	\$ 11,000	
Job Vocation Training Center	31,639	31,639	31,639	
Rutherford County Rescue Squad	25,000	25,000	25,000	
Crime Stoppers	5,000	5,000	5,000	
Linebaugh Public Library	473,402	473,402	473,402	
Rutherford County Chamber of Commerce	385,250	385,250	348,162	\$ 37,088
Murfreesboro Youth Orchestra	1,250	1,250	1,250	
Uncle Dave Macon Days	3,000	3,000	3,000	
CASA of Rutherford County	2,500	2,500	2,500	
Oaklands Association	15,000	15,000	15,000	
Exchange Club Center	4,000	4,000	4,000	
Discovery House	20,000	20,000	20,000	
Main Street Program	30,000	30,000	30,000	
Arts and Humanities Council	3,000	3,000		3,000
Primary Care Clinic	4,000	4,000	4,000	
Domestic Violence Program	7,500	7,500	7,500	
Pregnancy Support	2,500	2,500	2,500	
Meals on Wheels	3,500	3,500	3,500	
Rabies Control	40,000	40,000	40,000	
Center for the Arts	25,000	25,000	25,000	
Leadership Rutherford	1,500	1,500	1,500	
MCHR Transportation Program	1,000	1,000	1,000	
Special Olympics	2,500	2,500	2,500	
Unforeseen organizations			5,150	(5,150)
	<u>\$ 1,097,541</u>	<u>\$ 1,097,541</u>	<u>\$ 1,062,603</u>	<u>\$ 34,938</u>
Other Expenditures -				
Maintenance and utilities -				
Civic plaza	\$ 49,328	\$ 49,328	\$ 46,030	\$ 3,298
Parking garage	87,500	87,500	83,406	4,094
Miscellaneous contingencies	380,277	580,277	864,874	(284,597)
Mixed drink tax allocation	155,000	155,000	170,366	(15,366)
Property tax losses and adjustments	566,832	566,832	504,863	61,969
	<u>\$ 1,238,937</u>	<u>\$ 1,438,937</u>	<u>\$ 1,669,539</u>	<u>\$ (230,602)</u>
TOTAL EXPENDITURES	<u>\$ 34,913,413</u>	<u>\$ 35,113,413</u>	<u>\$ 35,110,757</u>	<u>\$ 2,656</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 24,334,696</u>	<u>\$ 24,334,696</u>	<u>\$ 25,364,955</u>	<u>\$ 1,030,259</u>

(continued)

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)

Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Other Financing Uses -				
Operating transfers out -				
Transfer to debt service fund	\$ (14,296,943)	\$ (14,296,943)	\$ (14,492,169)	\$ (195,226)
Transfer to Murfreesboro City School System	(4,510,000)	(4,510,000)	(4,510,000)	
Transfer to solid waste fund	(2,787,024)	(2,787,024)	(2,758,855)	28,169
Transfer to city recreation fund	(5,062,853)	(5,062,853)	(3,780,279)	1,282,574
Transfer to fleet services fund	(106,549)	(106,549)		106,549
Transfer to senior citizens fund	(271,827)	(271,827)	(272,094)	(267)
Transfer to golf course			(10,000)	(10,000)
Transfer to drug fund	(95,000)	(95,000)	(117,435)	(22,435)
Transfer to airport improvement fund	(4,500)	(4,500)	(4,543)	(43)
	<u>\$ (27,134,696)</u>	<u>\$ (27,134,696)</u>	<u>\$ (25,945,375)</u>	<u>\$ 1,189,321</u>
Excess of Revenues Over				
(Under) Expenditures and Other Uses	<u>\$ (2,800,000)</u>	<u>\$ (2,800,000)</u>	<u>\$ (580,420)</u>	<u>\$ 2,219,580</u>
Fund Balances at beginning of year			<u>22,771,963</u>	
Fund Balances at end of year			<u>\$ 22,191,543</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

General Purpose School Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Local intergovernmental revenues	\$ 12,514,244	\$ 12,514,244	\$ 12,484,552	\$ (29,692)
State program revenues	16,135,285	16,135,285	16,721,244	585,959
Federal program revenues	1,200,315	1,200,315	405,456	(794,859)
Charges for services	75,105	75,105	71,492	(3,613)
Indigent children revenues			29,300	29,300
Other local revenues	<u>174,757</u>	<u>174,757</u>	<u>234,801</u>	<u>60,044</u>
	\$ <u>30,099,706</u>	\$ <u>30,099,706</u>	\$ <u>29,946,845</u>	\$ <u>(152,861)</u>
Expenditures -				
Regular instruction program	\$ 21,263,940	\$ 21,263,940	\$ 20,436,910	\$ 827,030
Special education program	1,765,859	1,765,859	1,754,588	11,271
Other student support	711,384	711,384	718,832	(7,448)
Board of education	588,936	588,936	591,484	(2,548)
Office of the superintendent	226,464	226,464	229,969	(3,505)
Office of the principal	2,040,942	2,040,942	1,920,607	120,335
Fiscal services	396,422	396,422	391,249	5,173
Operation of plant	2,828,619	2,828,619	2,803,805	24,814
Regular instruction program - Support	1,354,796	1,354,796	1,246,848	107,948
Special education program - Support	278,050	278,050	233,208	44,842
Maintenance of plant	718,940	718,940	799,169	(80,229)
Transportation	714,654	714,654	771,618	(56,964)
Central and other	269,605	269,605	245,089	24,516
Food service	1,012,920	1,012,920	150,849	862,071
Community services	693,519	693,519	803,974	(110,455)
Attendance	84,754	84,754	88,210	(3,456)
Health services	44,605	44,605	68,605	(24,000)
Indigent children			28,125	(28,125)
Capital outlay	<u>2,608,000</u>	<u>2,608,000</u>	<u>1,120,785</u>	<u>1,487,215</u>
	\$ <u>37,602,409</u>	\$ <u>37,602,409</u>	\$ <u>34,403,924</u>	\$ <u>3,198,485</u>
Excess of Revenues Over (Under) Expenditures	\$ <u>(7,502,703)</u>	\$ <u>(7,502,703)</u>	\$ <u>(4,457,079)</u>	\$ <u>3,045,624</u>
Other Financing Sources -				
Transfers in	\$ <u>7,118,103</u>	\$ <u>7,118,103</u>	\$ <u>5,479,424</u>	\$ <u>(1,638,679)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures (budgetary basis)	\$ <u>(384,600)</u>	\$ <u>(384,600)</u>	\$ <u>1,022,345</u>	\$ <u>1,406,945</u>
Adjustment for encumbrances			<u>(108,546)</u>	
Excess of Revenues and Other Financing Sources Over (Under) expenditures (GAAP basis)			\$ <u>913,799</u>	
Fund Balance at beginning of year			<u>3,392,321</u>	
Fund Balance at end of year			\$ <u><u>4,306,120</u></u>	

See notes to financial statements.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes and special purpose funds established by the City Council.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for the acquisition or construction of capital projects, other than those financed by Enterprise Funds or Internal Service Funds. Revenues are derived primarily from the sale of general obligation bonds and notes, intergovernmental revenues, lease of City property, and earnings on investments.

PERMANENT FUND

Permanent Funds are used to account for funds that are legally restricted to the extent that only earnings (and not principal) may be used for purposes that support the City or its citizenry.

The *Perpetual Care Cemetery Fund* accounts for the portion of cemetery lot sale proceeds required by law to be deposited into a perpetual care fund. Earnings on the funds may be used for the maintenance of the Evergreen Cemetery grounds.

CITY OF MURFREESBORO, TENNESSEE

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2003

	Total Special Revenue Funds	Total Capital Projects Funds	Permanent Fund Perpetual Care Cemetery Fund	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 6,887,467	\$ 5,845,091		\$ 12,732,558
Due from other funds	178,091	790,126		968,217
Due from other governments	1,122,512	548,069		1,670,581
Accounts receivable, net	134,224		\$ 20,676	154,900
Due from others	314,708			314,708
Other accounts receivable	12,528		13,043	25,571
Prepaid expenses and deposits	5,901			5,901
Inventory	73,348			73,348
Restricted assets -				
Cash and cash equivalents			44,320	44,320
Investments, at fair value			1,240,183	1,240,183
	\$ <u>8,728,779</u>	\$ <u>7,183,286</u>	\$ <u>1,318,222</u>	\$ <u>17,230,287</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities-				
Cash overdrafts	\$ 71,039			\$ 71,039
Accounts payable	887,125	\$ 1,139,364		2,026,489
Accrued liabilities	68,524			68,524
Due to other funds	459,153	4,117,603		4,576,756
Due to other governments	83,526			83,526
Due to others		1,373		1,373
Deferred revenue	878,310	350,837		1,229,147
Other deposits	199,124			199,124
	\$ <u>2,646,801</u>	\$ <u>5,609,177</u>		\$ <u>8,255,978</u>
Fund Balance-				
Reserved for inventory	\$ 28,406			\$ 28,406
Reserved for perpetual care			\$ 1,169,803	1,169,803
Unreserved -				
Designated for repairs and replacement	363,571			363,571
Designated for contingencies	128,824			128,824
Undesignated	5,561,177	\$ 1,574,109	148,419	7,283,705
	\$ <u>6,081,978</u>	\$ <u>1,574,109</u>	\$ <u>1,318,222</u>	\$ <u>8,974,309</u>
	\$ <u>8,728,779</u>	\$ <u>7,183,286</u>	\$ <u>1,318,222</u>	\$ <u>17,230,287</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

**Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
Nonmajor Governmental Funds**

Year Ended June 30, 2003

	<u>Total Special Revenue Funds</u>	<u>Total Capital Projects Funds</u>	<u>Permanent Fund Perpetual Care Cemetery Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues-				
Taxes	\$ 640,585			\$ 640,585
Intergovernmental	6,351,857	\$ 1,672,244		8,024,101
Charges for services	4,827,328			4,827,328
Interest and investment earnings	53,944	54,064	\$ 121,166	229,174
Other revenues	853,350	372,209		1,225,559
	<u>\$ 12,727,064</u>	<u>\$ 2,098,517</u>	<u>\$ 121,166</u>	<u>\$ 14,946,747</u>
Expenditures -				
Current-				
Police	\$ 245,948			\$ 245,948
Streets	1,687,447			1,687,447
Sanitation	2,773,945			2,773,945
Other expenditures	1,531,499	\$ 659,043		2,190,542
Recreation	5,902,100			5,902,100
Community development		700,350		700,350
Education	4,564,463			4,564,463
Food service	2,026,104			2,026,104
Capital outlay/fixed assets	449,464	9,672,596		10,122,060
	<u>\$ 19,180,970</u>	<u>\$ 11,031,989</u>		<u>\$ 30,212,959</u>
Excess of Revenues Over (Under)				
Expenditures	<u>\$ (6,453,906)</u>	<u>\$ (8,933,472)</u>	<u>\$ 121,166</u>	<u>\$ (15,266,212)</u>
Other Financing Sources (Uses) -				
Proceeds from loans		\$ 7,303,135		\$ 7,303,135
Proceeds from sale of land		7,929,389		7,929,389
Operating transfers in	\$ 6,949,206			6,949,206
Operating transfers out	(380,000)	(4,698,745)	\$ (57,614)	(5,136,359)
	<u>\$ 6,569,206</u>	<u>\$ 10,533,779</u>	<u>\$ (57,614)</u>	<u>\$ 17,045,371</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 115,300	\$ 1,600,307	\$ 63,552	\$ 1,779,159
Fund Balances at beginning of year	5,966,678	(26,198)	1,254,670	7,195,150
Fund Balances at end of year	<u>\$ 6,081,978</u>	<u>\$ 1,574,109</u>	<u>\$ 1,318,222</u>	<u>\$ 8,974,309</u>

See notes to financial statements.

NONMAJOR SPECIAL REVENUE FUNDS

State Street Aid Fund accounts for revenues and expenditures of the City's share of state gasoline taxes. State law requires that gasoline taxes be used to maintain streets.

City Recreation Fund accounts for revenues and expenditures related to the operation of City parks and recreational facilities.

Senior Citizens Fund accounts for revenues from various grants received for the purpose of operating a senior citizens center and the expenditures related to the center.

Old Fort Golf Course Fund accounts for revenues and expenditures related to the operation of the City golf courses.

Television Fund accounts for revenue from the cable franchise tax and for the expenditures related to broadcast of city council meetings and other events of community interest over the government access television channel.

Solid Waste Fund accounts for expenditures related to the removal and disposal of solid waste.

Airport Fund accounts for revenues and expenditures related to the operation of the municipal airport.

Drug Enforcement Fund accounts for revenue from drug fines and confiscated property and the use of those funds in the City's drug enforcement and education programs.

Extended School Program Fund accounts for revenues and expenditures associated with the operation of the School System's before and after school program.

School Cafeteria Fund accounts for the revenues and expenditures of the cafeteria operations for all of the schools.

School Federal Projects Fund accounts for revenues and expenditures associated with federally financed school programs. The school federal projects funds included are 21st Century, Title I Program, IDEA Part B Program, Title II Program, Preschool Grant, Even Start Program, Title VI Program, Title III Program, Title V Program, Class Size Reduction, Migrant Program, Project Eagle, and the TCLS II Grant.

CITY OF MURFREESBORO, TENNESSEE

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2003

	State Street Aid	City Recreation	Senior Citizens	Old Fort Golf Course	Television	Solid Waste	Airport	Drug Enforcement	Extended School Program	School Cafeteria
<u>ASSETS</u>										
Cash and cash equivalents	\$ 3,003,784	\$ 368,479	\$ 271,804	\$ 999,782	\$ 958,513	\$ 34,378	\$ 112,121	\$ 286,365	\$ 442,006	\$ 383,025
Due from other funds							55,641	6,752	8,945	106,753
Due from other governments	352,913	78,082		2,924		238,975	11,428	22,585	8,787	
Accounts receivable, net				70			23,543	53	109,377	1,181
Due from others					314,708					
Other accounts receivable		2,241	139	10,148						
Prepaid expenses and deposits								5,901		
Inventory				15,673			12,733			44,942
	<u>\$ 3,356,697</u>	<u>\$ 448,802</u>	<u>\$ 271,943</u>	<u>\$ 1,028,597</u>	<u>\$ 1,273,221</u>	<u>\$ 273,353</u>	<u>\$ 215,466</u>	<u>\$ 321,656</u>	<u>\$ 569,115</u>	<u>\$ 535,901</u>
<u>LIABILITIES AND FUND BALANCE</u>										
Liabilities-										
Cash overdraft										
Accounts payable	\$ 583,648	\$ 99,094	\$ 10,500	\$ 31,336	\$ 5,079	\$ 892	\$ 21,479	\$ 9,526	\$ 23,234	
Accrued liabilities									64,305	
Due to other funds		55,318	139	11,301	178			14,427	58,146	\$ 98,670
Due to other governments									83,526	
Deferred revenue				25,550	689,708		3,943	25,358	98,292	
Deposits	182,100		2,126	2,021			12,877			
	<u>\$ 765,748</u>	<u>\$ 154,412</u>	<u>\$ 12,765</u>	<u>\$ 70,208</u>	<u>\$ 694,965</u>	<u>\$ 892</u>	<u>\$ 38,299</u>	<u>\$ 49,311</u>	<u>\$ 327,503</u>	<u>\$ 98,670</u>
Fund Balance-										
Reserved for inventory				\$ 15,673			\$ 12,733			
Unreserved -										
Designated for repairs and replacement		\$ 46,960		316,611						
Designated for contingencies				128,824						
Undesignated	\$ 2,590,949	247,430	\$ 259,178	497,281	\$ 578,256	\$ 272,461	164,434	\$ 272,345	\$ 241,612	\$ 437,231
	<u>\$ 2,590,949</u>	<u>\$ 294,390</u>	<u>\$ 259,178</u>	<u>\$ 958,389</u>	<u>\$ 578,256</u>	<u>\$ 272,461</u>	<u>\$ 177,167</u>	<u>\$ 272,345</u>	<u>\$ 241,612</u>	<u>\$ 437,231</u>
	<u>\$ 3,356,697</u>	<u>\$ 448,802</u>	<u>\$ 271,943</u>	<u>\$ 1,028,597</u>	<u>\$ 1,273,221</u>	<u>\$ 273,353</u>	<u>\$ 215,466</u>	<u>\$ 321,656</u>	<u>\$ 569,115</u>	<u>\$ 535,901</u>

See notes to financial statements.

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Combining Balance Sheet (Continued)
Nonmajor Special Revenue Funds

June 30, 2003

	<u>21st</u> <u>Century</u>	<u>Title I</u> <u>Program</u>	<u>IDEA</u> <u>Part B</u> <u>Program</u>	<u>Title II</u> <u>Program</u>	<u>Preschool</u> <u>Grant</u>	<u>Even</u> <u>Start</u> <u>Program</u>	<u>Title III</u> <u>Program</u>	<u>Title V</u> <u>Program</u>	<u>Project</u> <u>Eagle</u>	<u>Total Nonmajor</u> <u>Special Revenue</u>
<u>ASSETS</u>										
Cash and cash equivalents		\$ 26,719		\$ 21		\$ 470				\$ 6,887,467
Due from other funds										178,091
Due from other governments	\$ 6,081		\$ 212,864	12,276	\$ 9,438	125,413	\$ 14,807	\$ 14,068	\$ 11,871	1,122,512
Accounts receivable, net										134,224
Due from others										314,708
Other accounts receivable										12,528
Prepaid expenses and deposits										5,901
Inventory										73,348
	<u>\$ 6,081</u>	<u>\$ 26,719</u>	<u>\$ 212,864</u>	<u>\$ 12,297</u>	<u>\$ 9,438</u>	<u>\$ 125,883</u>	<u>\$ 14,807</u>	<u>\$ 14,068</u>	<u>\$ 11,871</u>	<u>\$ 8,728,779</u>
<u>LIABILITIES AND FUND BALANCE</u>										
Liabilities-										
Cash overdraft	\$ 1,636		\$ 19,595		\$ 9,369		\$ 14,639	\$ 13,929	\$ 11,871	\$ 71,039
Accounts payable	226	\$ 352	98,683	\$ 2,700	69		168	139		887,125
Accrued liabilities	4,219									68,524
Due to other funds		505	94,586			\$ 125,883				459,153
Due to other governments										83,526
Deferred revenue		25,862		9,597						878,310
Deposits										199,124
	<u>\$ 6,081</u>	<u>\$ 26,719</u>	<u>\$ 212,864</u>	<u>\$ 12,297</u>	<u>\$ 9,438</u>	<u>\$ 125,883</u>	<u>\$ 14,807</u>	<u>\$ 14,068</u>	<u>\$ 11,871</u>	<u>\$ 2,646,801</u>
Fund Balance-										
Reserved for inventory										\$ 28,406
Unreserved -										
Designated for repairs										363,571
and replacement										128,824
Designated for contingencies										5,561,177
Undesignated										\$ 6,081,978
	<u>\$ 6,081</u>	<u>\$ 26,719</u>	<u>\$ 212,864</u>	<u>\$ 12,297</u>	<u>\$ 9,438</u>	<u>\$ 125,883</u>	<u>\$ 14,807</u>	<u>\$ 14,068</u>	<u>\$ 11,871</u>	<u>\$ 8,728,779</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds**

Year Ended June 30, 2003

	State Street Aid	City Recreation	Senior Citizens	Old Fort Golf Course	Television	Solid Waste	Airport	Drug Enforcement	Extended School Program	School Cafeteria Fund
Revenues-										
Intergovernmental	\$ 1,939,832	\$ 140,748	\$ 126,670	\$ 2,924		\$ 215,806	\$ 54,086		\$ 41,920	\$ 924,974
Charges for services		612,613	69,390	1,269,084		13,434	200,729		1,588,894	1,073,184
Interest	18,402	5,133	4,398	8,143	\$ 8,029	450	3,791	\$ 5,598		
Franchise tax					640,585					
Miscellaneous		47,057	58,158	7,506	1,817	33,775	354,354	253,065	94,125	3,493
	<u>\$ 1,958,234</u>	<u>\$ 805,551</u>	<u>\$ 258,616</u>	<u>\$ 1,287,657</u>	<u>\$ 650,431</u>	<u>\$ 263,465</u>	<u>\$ 612,960</u>	<u>\$ 258,663</u>	<u>\$ 1,724,939</u>	<u>\$ 2,001,651</u>
Expenditures-										
Education									\$ 1,739,623	
Recreation		\$ 4,556,421		\$ 1,345,679						
Streets	\$ 1,687,447									
Sanitation						\$ 2,773,945				
Police								\$ 245,948		
Other			\$ 547,453		\$ 411,986		\$ 492,003			
Food service										\$ 2,026,104
Capital outlay		49,856	9,901	128,501	180,654	3,482	51,032	26,038		
	<u>\$ 1,687,447</u>	<u>\$ 4,606,277</u>	<u>\$ 557,354</u>	<u>\$ 1,474,180</u>	<u>\$ 592,640</u>	<u>\$ 2,777,427</u>	<u>\$ 543,035</u>	<u>\$ 271,986</u>	<u>\$ 1,739,623</u>	<u>\$ 2,026,104</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 270,787</u>	<u>\$ (3,800,726)</u>	<u>\$ (298,738)</u>	<u>\$ (186,523)</u>	<u>\$ 57,791</u>	<u>\$ (2,513,962)</u>	<u>\$ 69,925</u>	<u>\$ (13,323)</u>	<u>\$ (14,684)</u>	<u>\$ (24,453)</u>
Other Sources (Uses)-										
Transfers in		\$ 3,780,279	\$ 278,094	\$ 10,000		\$ 2,758,855	\$ 4,543	\$ 117,435		
Transfers out	<u>\$ (300,000)</u>						(50,000)		<u>\$ (30,000)</u>	
	<u>\$ (300,000)</u>	<u>\$ 3,780,279</u>	<u>\$ 278,094</u>	<u>\$ 10,000</u>		<u>\$ 2,758,855</u>	<u>\$ (45,457)</u>	<u>\$ 117,435</u>	<u>\$ (30,000)</u>	
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (29,213)</u>	<u>\$ (20,447)</u>	<u>\$ (20,644)</u>	<u>\$ (176,523)</u>	<u>\$ 57,791</u>	<u>\$ 244,893</u>	<u>\$ 24,468</u>	<u>\$ 104,112</u>	<u>\$ (44,684)</u>	<u>\$ (24,453)</u>
Fund Balance at beginning of year	<u>2,620,162</u>	<u>314,837</u>	<u>279,822</u>	<u>1,134,912</u>	<u>520,465</u>	<u>27,568</u>	<u>152,699</u>	<u>168,233</u>	<u>286,296</u>	<u>461,684</u>
Fund Balance at end of year	<u>\$ 2,590,949</u>	<u>\$ 294,390</u>	<u>\$ 259,178</u>	<u>\$ 958,389</u>	<u>\$ 578,256</u>	<u>\$ 272,461</u>	<u>\$ 177,167</u>	<u>\$ 272,345</u>	<u>\$ 241,612</u>	<u>\$ 437,231</u>

See notes to financial statements.

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Special Revenue Funds

Year Ended June 30, 2003

	<u>21st Century Fund</u>	<u>Title I Program</u>	<u>IDEA Part B Program</u>	<u>Title II Program</u>	<u>Preschool Grant</u>	<u>Even Start Program</u>	<u>Title VI Program</u>	<u>Class Size Reduction</u>	<u>Migrant Program</u>	<u>TCLS II Grant</u>
Revenues-										
Intergovernmental	\$ 543,922	\$ 647,352	\$ 1,014,078	\$ 167,449	\$ 35,198	360,000	\$ 1,386	\$ 11,163	\$ 23,060	\$ 43,400
Charges for services										
Interest										
Franchise tax										
Miscellaneous										
	<u>\$ 543,922</u>	<u>\$ 647,352</u>	<u>\$ 1,014,078</u>	<u>\$ 167,449</u>	<u>\$ 35,198</u>	<u>\$ 360,000</u>	<u>\$ 1,386</u>	<u>\$ 11,163</u>	<u>\$ 23,060</u>	<u>\$ 43,400</u>
Expenditures-										
Education	\$ 526,130	\$ 647,352	\$ 981,097	\$ 167,449	\$ 35,198	\$ 360,000	\$ 1,386	\$ 11,163	\$ 23,060	\$ 43,400
Recreation										
Streets										
Sanitation										
Police										
Other	17,792		32,981							
Food service										
Capital outlay										
	<u>\$ 543,922</u>	<u>\$ 647,352</u>	<u>\$ 1,014,078</u>	<u>\$ 167,449</u>	<u>\$ 35,198</u>	<u>\$ 360,000</u>	<u>\$ 1,386</u>	<u>\$ 11,163</u>	<u>\$ 23,060</u>	<u>\$ 43,400</u>
Excess of Revenues Over										
(Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Other Sources (Uses)-										
Transfers in										
Transfers out										
Excess of Revenues and Other										
Sources Over (Under)										
Expenditures and Other Uses	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Fund Balance at beginning of year	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund Balance at end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See notes to financial statements.

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Special Revenue Funds

Year Ended June 30, 2003

	<u>Title III Program</u>	<u>Title V Program</u>	<u>Project Eagle</u>	<u>Total Nonmajor Special Revenue Funds</u>
Revenues-				
Intergovernmental	\$ 14,807	\$ 31,211	\$ 11,871	\$ 6,351,857
Charges for services				4,827,328
Interest				53,944
Franchise tax				640,585
Miscellaneous				853,350
	<u>\$ 14,807</u>	<u>\$ 31,211</u>	<u>\$ 11,871</u>	<u>\$ 12,727,064</u>
Expenditures-				
Education	\$ 14,807	\$ 2,159	\$ 11,639	\$ 4,564,463
Recreation				5,902,100
Streets				1,687,447
Sanitation				2,773,945
Police				245,948
Other		29,052	232	1,531,499
Food service				2,026,104
Capital outlay				449,464
	<u>\$ 14,807</u>	<u>\$ 31,211</u>	<u>\$ 11,871</u>	<u>\$ 19,180,970</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (6,453,906)</u>
Other Sources (Uses)-				
Transfers in				\$ 6,949,206
Transfers out				(380,000)
				<u>\$ 6,569,206</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 115,300</u>
Fund Balance at beginning of year	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>5,966,678</u>
Fund Balance at end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 6,081,978</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

State Street Aid Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues-				
Tennessee state gasoline tax apportionment	\$ 1,901,178	\$ 1,939,878	\$ 1,939,832	\$ (46)
Interest	30,000	30,000	18,402	(11,598)
	<u>\$ 1,931,178</u>	<u>\$ 1,969,878</u>	<u>\$ 1,958,234</u>	<u>\$ (11,644)</u>
Expenditures-				
Traffic signals	\$ 120,000	\$ 120,000	\$ 66,501	\$ 53,499
Curbs and gutters	150,000	150,000	150,402	(402)
Sidewalks	50,000	50,000	50,000	
Rights-of-way	100,000	100,000	100,156	(156)
Street paving	716,178	752,678	1,009,137	(256,459)
Street markings	120,000	120,000	86,944	33,056
Bridges	25,000	25,000	16,077	8,923
Storm drainage	150,000	150,000	68,690	81,310
Intersections	50,000	50,000	106,613	(56,613)
Other services		20,000	20,000	
Contractual services	50,000	50,000	61	49,939
Surveys and engineering	100,000	100,000	12,802	87,198
Miscellaneous			64	(64)
	<u>\$ 1,631,178</u>	<u>\$ 1,687,678</u>	<u>\$ 1,687,447</u>	<u>\$ 231</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 300,000</u>	<u>\$ 282,200</u>	<u>\$ 270,787</u>	<u>\$ (11,413)</u>
Other Financing Uses -				
Transfer to debt service fund	<u>(300,000)</u>	<u>(300,000)</u>	<u>(300,000)</u>	
Excess of Revenues Over (Under) Expenditures and Other Financing Uses	<u>\$ -0-</u>	<u>\$ (17,800)</u>	<u>\$ (29,213)</u>	<u>\$ (11,413)</u>
Fund Balance at beginning of year			<u>2,620,162</u>	
Fund Balance at end of year			<u>\$ 2,590,949</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

City Recreation Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Interest	\$ 3,500	\$ 3,500	\$ 5,133	\$ 1,633
Federal funds	85,992	85,992	84,589	(1,403)
County funds	55,000	55,000	56,159	1,159
Charges for recreational activities	864,138	864,138	612,613	(251,525)
Donations received			7,587	7,587
Miscellaneous	30,000	30,000	39,470	9,470
	<u>\$ 1,038,630</u>	<u>\$ 1,038,630</u>	<u>\$ 805,551</u>	<u>\$ (233,079)</u>
Expenditures -				
Labor	\$ 3,370,933	\$ 3,370,933	\$ 2,384,662	\$ 986,271
Park and ride police patrol	408,785	408,785	411,991	(3,206)
Operation and Maintenance -				
Machinery and equipment	67,500	67,500	87,847	(20,347)
Grounds	154,085	154,085	87,202	66,883
Building	140,000	140,000	54,514	85,486
Swimming pools	47,500	47,500	61,525	(14,025)
Supplies	197,000	197,000	140,676	56,324
Insurance	187,650	187,650	192,556	(4,906)
Social Security taxes	257,876	257,876	181,518	76,358
Group insurance	254,133	254,133	241,480	12,653
Retirement	192,189	192,189	158,802	33,387
Utilities	658,525	658,525	347,175	311,350
Travel and subsistence	55,500	55,500	58,558	(3,058)
Arts and humanities	58,030	58,030	38,899	19,131
Grant expenditures	35,610	35,610	1,915	33,695
Training personnel	9,500	9,500	7,724	1,776
Purchases for resale	103,000	103,000	72,876	30,124
Amusement tax	14,300	14,300	11,986	2,314
Other miscellaneous	16,930	16,930	14,515	2,415
Capital outlay	46,065	46,065	49,856	(3,791)
	<u>\$ 6,275,111</u>	<u>\$ 6,275,111</u>	<u>\$ 4,606,277</u>	<u>\$ 1,668,834</u>
Excess of Revenues Over (Under) Expenditures	\$ (5,236,481)	\$ (5,236,481)	\$ (3,800,726)	\$ 1,435,755
Other Financing Sources -				
Transfer from general fund	5,062,854	5,062,854	3,780,279	(1,282,575)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	<u>\$ (173,627)</u>	<u>\$ (173,627)</u>	<u>\$ (20,447)</u>	<u>\$ 153,180</u>
Fund Balance at beginning of year			314,837	
Fund Balance at end of year			<u>\$ 294,390</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Senior Citizens Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Interest			\$ 4,398	\$ 4,398
County funds	\$ 80,000	\$ 80,000	88,000	8,000
State funds	12,500	12,500	12,500	
Federal funds	22,303	22,303	26,170	3,867
Revenue from other agencies	47,358	47,358	44,404	(2,954)
Program income	58,000	58,000	69,390	11,390
Donations received	3,750	3,750	11,803	8,053
Miscellaneous			1,951	1,951
	<u>\$ 223,911</u>	<u>\$ 223,911</u>	<u>\$ 258,616</u>	<u>\$ 34,705</u>
Expenditures -				
Labor	\$ 339,988	\$ 339,988	\$ 312,641	\$ 27,347
Operations and maintenance	13,900	13,900	9,559	4,341
Supplies	56,431	56,431	53,984	2,447
Insurance	7,281	7,281	7,032	249
Social Security taxes	25,499	25,499	23,885	1,614
Group insurance	32,203	32,203	34,699	(2,496)
Retirement	25,424	25,424	22,968	2,456
Utilities	43,700	43,700	38,217	5,483
Contractual services	15,000	15,000	15,000	
Travel and subsistence	9,000	9,000	8,518	482
Training and instruction	18,121	18,121	14,446	3,675
Designated contributions	1,500	1,500	207	1,293
Other miscellaneous	6,940	6,940	6,297	643
Capital outlay	6,750	6,750	9,901	(3,151)
	<u>\$ 601,737</u>	<u>\$ 601,737</u>	<u>\$ 557,354</u>	<u>\$ 44,383</u>
Excess of Revenues Over (Under) Expenditures	\$ (377,826)	\$ (377,826)	\$ (298,738)	\$ 79,088
Other Financing Sources -				
Transfer from other funds	<u>277,826</u>	<u>277,826</u>	<u>278,094</u>	<u>268</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ (100,000)</u>	<u>\$ (100,000)</u>	<u>\$ (20,644)</u>	<u>\$ 79,356</u>
Fund Balance at beginning of year			<u>279,822</u>	
Fund Balance at end of year			<u>\$ 259,178</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Old Fort Golf Course Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues-				
Old Fort Golf Course-				
Green fees	\$ 838,000	\$ 838,000	\$ 508,252	\$ (329,748)
Cart rentals and trail fees	228,000	228,000	156,671	(71,329)
Driving range	32,000	32,000	19,336	(12,664)
Concession and retail sales	420,300	420,300	378,530	(41,770)
Interest earned	30,000	30,000	8,143	(21,857)
Federal revenue			2,924	2,924
Miscellaneous	8,800	8,800	7,506	(1,294)
	<u>\$ 1,557,100</u>	<u>\$ 1,557,100</u>	<u>\$ 1,081,362</u>	<u>\$ (475,738)</u>
Veteran's Administration Course-				
Green fees	\$ 225,000	\$ 225,000	\$ 178,472	\$ (46,528)
Cart rentals and trail fees	19,000	19,000	10,165	(8,835)
Concession and retail sales	25,300	25,300	17,658	(7,642)
	<u>\$ 269,300</u>	<u>\$ 269,300</u>	<u>\$ 206,295</u>	<u>\$ (63,005)</u>
Total Revenues	<u>\$ 1,826,400</u>	<u>\$ 1,826,400</u>	<u>\$ 1,287,657</u>	<u>\$ (538,743)</u>
Expenditures-				
Old Fort Golf Course-				
Labor	\$ 613,409	\$ 613,409	\$ 540,351	\$ 73,058
Operations and maintenance	55,500	55,500	45,296	10,204
Material	65,500	65,500	56,121	9,379
Supplies	52,700	52,700	28,550	24,150
Insurance	23,391	23,391	25,027	(1,636)
Social Security	46,926	46,926	40,440	6,486
Employee group insurance	55,125	55,125	55,779	(654)
Employee retirement	43,274	43,274	42,841	433
Utilities	38,000	38,000	34,721	3,279
Travel and subsistence	9,600	9,600	9,600	
Items for resale	250,000	250,000	222,005	27,995
Sales tax	55,300	55,300	48,468	6,832
Other miscellaneous expenses	28,050	28,050	18,751	9,299
Overhead allocation	(66,106)	(66,106)	(66,106)	
Capital outlay	38,950	38,950	29,392	9,558
	<u>\$ 1,309,619</u>	<u>\$ 1,309,619</u>	<u>\$ 1,131,236</u>	<u>\$ 178,383</u>

See notes to financial statements.

(continued)

CITY OF MURFREESBORO, TENNESSEE

Old Fort Golf Course Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance (continued)

Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures (continued) -				
Veteran's Administration Course-				
Labor	\$ 111,282	\$ 111,282	\$ 103,938	\$ 7,344
Operations and maintenance	7,000	7,000	7,352	(352)
Material	8,500	8,500	5,571	2,929
Supplies	14,700	14,700	10,795	3,905
General insurance	3,964	3,964	3,967	(3)
Social Security	8,513	8,513	7,941	572
Employee group insurance	13,948	13,948	9,700	4,248
Employee retirement	5,981	5,981	5,733	248
Utilities	10,300	10,300	2,783	7,517
Travel and subsistence	2,400	2,400	2,400	
Items for resale	10,000	10,000	9,786	214
Sales tax	3,300	3,300	2,553	747
Other miscellaneous expenses	800	800	5,210	(4,410)
Overhead allocation	66,106	66,106	66,106	
Capital outlay	21,050	21,050	99,109	(78,059)
	<u>\$ 287,844</u>	<u>\$ 287,844</u>	<u>\$ 342,944</u>	<u>\$ (55,100)</u>
Total Expenditures	<u>\$ 1,597,463</u>	<u>\$ 1,597,463</u>	<u>\$ 1,474,180</u>	<u>\$ 123,283</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 228,937</u>	<u>\$ 228,937</u>	<u>\$ (186,523)</u>	<u>\$ (415,460)</u>
Other Financing Sources and (Uses) -				
Transfer from general fund			\$ 10,000	\$ 10,000
Transfer to debt service fund	<u>\$ (235,918)</u>	<u>\$ (235,918)</u>		<u>235,918</u>
	<u>\$ (235,918)</u>	<u>\$ (235,918)</u>	<u>\$ 10,000</u>	<u>\$ 245,918</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (6,981)</u>	<u>\$ (6,981)</u>	<u>\$ (176,523)</u>	<u>\$ (169,542)</u>
Fund Balance at beginning of year			<u>1,134,912</u>	
Fund Balance at end of year			<u>\$ 958,389</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Television Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues -				
Cable franchise tax	\$ 550,000	\$ 576,500	\$ 640,585	\$ 64,085
Interest	14,000	14,000	8,029	(5,971)
Miscellaneous	400	400	1,817	1,417
	<u>\$ 564,400</u>	<u>\$ 590,900</u>	<u>\$ 650,431</u>	<u>\$ 59,531</u>
Expenditures -				
Labor	\$ 185,375	\$ 185,375	\$ 185,020	\$ 355
Operation and maintenance	11,200	11,200	5,147	6,053
Supplies	2,400	2,400	1,235	1,165
Advertising supplies	3,000	3,000	910	2,090
Audio/video supplies	13,000	13,000	10,569	2,431
Insurance	9,978	9,978	10,041	(63)
Social security	14,181	14,181	14,411	(230)
Group insurance	19,430	19,430	19,317	113
Retirement	16,123	16,123	16,123	
Utilities	2,200	2,200	2,516	(316)
Travel and subsistence	10,200	10,200	9,608	592
Association dues	2,500	2,500	850	1,650
Training personnel	9,000	9,000	6,509	2,491
Professional services	21,000	47,500	66,098	(18,598)
Surveys and studies	32,000	32,000	16,600	15,400
Other miscellaneous	43,000	43,000	47,032	(4,032)
Capital outlay	171,800	171,800	180,654	(8,854)
	<u>\$ 566,387</u>	<u>\$ 592,887</u>	<u>\$ 592,640</u>	<u>\$ 247</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (1,987)</u>	<u>\$ (1,987)</u>	<u>\$ 57,791</u>	<u>\$ 59,778</u>
Fund Balance at beginning of year			520,465	
Fund Balance at end of year			<u>\$ 578,256</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Solid Waste Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Interest	\$ 600	\$ 600	\$ 450	\$ (150)
Federal program revenue		215,800	215,806	6
Charges for services	8,500	8,500	13,434	4,934
Miscellaneous	2,000	15,700	33,775	18,075
	<u>\$ 11,100</u>	<u>\$ 240,600</u>	<u>\$ 263,465</u>	<u>\$ 22,865</u>
Expenditures -				
Labor	\$ 1,334,148	\$ 1,334,148	\$ 1,259,081	\$ 75,067
Operations and maintenance	287,000	516,500	623,877	(107,377)
Supplies	117,659	117,659	128,300	(10,641)
Insurance	198,380	198,380	211,188	(12,808)
Social Security	99,882	99,882	92,464	7,418
Group insurance	231,941	231,941	225,598	6,343
Retirement	123,964	123,964	109,146	14,818
Travel and subsistence	6,000	6,000	6,000	
License fees	500	500		500
Disposal carts	124,000	124,000	116,971	7,029
Other miscellaneous	3,150	3,150	1,320	1,830
Capital outlay	21,500	21,500	3,482	18,018
	<u>\$ 2,548,124</u>	<u>\$ 2,777,624</u>	<u>\$ 2,777,427</u>	<u>\$ 197</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (2,537,024)</u>	<u>\$ (2,537,024)</u>	<u>\$ (2,513,962)</u>	<u>\$ 23,062</u>
Other Financing Sources (Uses)-				
Transfer from general fund	\$ 2,787,024	\$ 2,787,024	\$ 2,758,855	\$ (28,169)
Transfer to debt service fund	(250,000)	(250,000)		250,000
	<u>\$ 2,537,024</u>	<u>\$ 2,537,024</u>	<u>\$ 2,758,855</u>	<u>\$ 221,831</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 244,893</u>	<u>\$ 244,893</u>
Fund Balance at beginning of year			27,568	
Fund Balance at end of year			<u>\$ 272,461</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Airport Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues -				
State maintenance funds	\$ 9,000	\$ 9,000	\$ 9,000	
State funds	458,100	458,100	45,086	\$ (413,014)
Interest	4,000	4,000	3,791	(209)
Rental income	186,725	186,725	200,729	14,004
Fuel sales	300,000	300,000	350,183	50,183
Other revenue	3,000	3,000	4,171	1,171
	<u>\$ 960,825</u>	<u>\$ 960,825</u>	<u>\$ 612,960</u>	<u>\$ (347,865)</u>
Expenditures -				
Labor	\$ 95,116	\$ 95,116	\$ 96,306	\$ (1,190)
Operations and maintenance	24,500	24,500	41,828	(17,328)
Supplies	7,900	7,900	7,853	47
Insurance	13,640	13,640	14,058	(418)
Social Security	7,276	7,276	7,600	(324)
Group insurance	6,872	6,872	6,858	14
Retirement	5,152	5,152	5,152	
Utilities	19,500	19,500	19,985	(485)
Travel and subsistence	7,900	7,900	6,819	1,081
Purchases for resale	227,000	227,000	263,837	(36,837)
Fuel rebates	1,000	1,000	9,790	(8,790)
Surveys and studies	7,000	7,000	2,573	4,427
Other miscellaneous	12,500	12,500	9,344	3,156
Capital outlay	509,500	509,500	51,032	458,468
	<u>\$ 944,856</u>	<u>\$ 944,856</u>	<u>\$ 543,035</u>	<u>\$ 401,821</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 15,969</u>	<u>\$ 15,969</u>	<u>\$ 69,925</u>	<u>\$ 53,956</u>
Other Financing Sources and (Uses) -				
Transfer from general fund	\$ 4,500	\$ 4,500	\$ 4,543	\$ 43
Transfer to debt service fund	(50,000)	(50,000)	(50,000)	
	<u>\$ (45,500)</u>	<u>\$ (45,500)</u>	<u>\$ (45,457)</u>	<u>\$ 43</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (29,531)</u>	<u>\$ (29,531)</u>	<u>\$ 24,468</u>	<u>\$ 53,999</u>
Fund Balance at beginning of year			152,699	
Fund Balance at end of year			<u>\$ 177,167</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Drug Enforcement Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Court fines	\$ 95,000	\$ 95,000	\$ 117,810	\$ 22,810
Seizure awards	20,000	20,000	72,196	52,196
Interest	8,000	8,000	5,598	(2,402)
Other revenue	15,000	15,000	63,059	48,059
	<u>\$ 138,000</u>	<u>\$ 138,000</u>	<u>\$ 258,663</u>	<u>\$ 120,663</u>
Expenditures -				
Labor	\$ 99,000	\$ 99,000	\$ 90,586	\$ 8,414
Operations and maintenance	19,200	19,200	20,487	(1,287)
Supplies	8,000	8,000	15,491	(7,491)
Utilities	21,600	21,600	18,264	3,336
Training	20,000	20,000	16,462	3,538
Rent	26,000	26,000	19,527	6,473
Undercover operations	85,000	85,000	64,300	20,700
Other miscellaneous	6,500	6,500	831	5,669
Capital outlay	45,698	45,698	26,038	19,660
	<u>\$ 330,998</u>	<u>\$ 330,998</u>	<u>\$ 271,986</u>	<u>\$ 59,012</u>
Excess of Revenues Under Expenditures	\$ (192,998)	\$ (192,998)	\$ (13,323)	\$ 179,675
Other Financing Sources -				
Transfer from general fund	<u>95,000</u>	<u>95,000</u>	<u>117,435</u>	<u>22,435</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>\$ (97,998)</u>	<u>\$ (97,998)</u>	<u>\$ 104,112</u>	<u>\$ 202,110</u>
Fund Balance at beginning of year			<u>168,233</u>	
Fund Balance at end of year			<u>\$ 272,345</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Extended School Program Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ 152,318	\$ 152,318	\$ 41,920	\$ (110,398)
Charges for services	1,829,880	1,829,880	1,588,894	(240,986)
Other local revenues	27,910	27,910	94,125	66,215
	<u>\$ 2,010,108</u>	<u>\$ 2,010,108</u>	<u>\$ 1,724,939</u>	<u>\$ (285,169)</u>
Expenditures -				
Community services	\$ 1,997,444	\$ 1,997,444	\$ 1,739,623	\$ 257,821
Excess of Revenues Over (Under) Expenditures	<u>\$ 12,664</u>	<u>\$ 12,664</u>	\$ (14,684)	<u>\$ 27,348</u>
Other Financing Uses -				
Transfer to other fund			<u>(30,000)</u>	
Excess of Revenues Over (Under) Expenditures and Other Financing Uses (budgetary basis)			\$ (44,684)	
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures and Other Financing Uses (GAAP basis)			\$ (44,684)	
Fund Balance at beginning of year			<u>286,296</u>	
Fund Balance at end of year			<u>\$ 241,612</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

21st Century Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>662,227</u>	\$ <u>662,227</u>	\$ <u>543,922</u>	\$ <u>(118,305)</u>
Expenditures -				
Transportation	\$ <u>24,099</u>	\$ <u>24,099</u>	\$ <u>17,792</u>	\$ <u>6,307</u>
Community services	<u>638,128</u>	<u>638,128</u>	<u>526,130</u>	<u>111,998</u>
	\$ <u>662,227</u>	\$ <u>662,227</u>	\$ <u>543,922</u>	\$ <u>118,305</u>
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u>-0-</u>	\$ <u><u>-0-</u></u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ <u>-0-</u>	
Fund Balance at beginning of year			<u> </u>	
Fund Balance at end of year			\$ <u><u>-0-</u></u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Title I Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>629,329</u>	\$ <u>629,329</u>	\$ <u>647,352</u>	\$ <u>18,023</u>
Expenditures -				
Regular instruction	\$ 617,329	\$ 617,329	\$ 635,277	\$ (17,948)
Other student support	5,500	5,500	2,647	2,853
Regular instruction support	<u>6,500</u>	<u>6,500</u>	<u>9,428</u>	<u>(2,928)</u>
	\$ <u>629,329</u>	\$ <u>629,329</u>	\$ <u>647,352</u>	\$ <u>(18,023)</u>
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ -0-	\$ <u>-0-</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ -0-	
Fund Balance at beginning of year			<u> </u>	
Fund Balance at end of year			\$ <u>-0-</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

IDEA Part B Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>963,787</u>	\$ <u>963,787</u>	\$ <u>1,014,078</u>	\$ <u>50,291</u>
Expenditures -				
Special education program	\$ 870,669	\$ 870,669	\$ 823,966	\$ 46,703
Student support - health	35,351	35,351	578	34,773
Other student support	49,267	49,267	156,553	(107,286)
Transportation	8,500	8,500	32,981	(24,481)
	\$ <u>963,787</u>	\$ <u>963,787</u>	\$ <u>1,014,078</u>	\$ <u>(50,291)</u>
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ -0-	\$ <u>-0-</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ -0-	
Fund Balance at beginning of year				
Fund Balance at end of year			\$ <u>-0-</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Title II Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>181,143</u>	\$ <u>181,143</u>	\$ <u>167,449</u>	\$ <u>(13,694)</u>
Expenditures -				
Regular instruction program	\$ 164,775	\$ 164,775	\$ 152,473	\$ 12,302
Other student support	12,276	12,276	12,276	
Regular instruction program support	<u>4,092</u>	<u>4,092</u>	<u>2,700</u>	<u>1,392</u>
	\$ <u>181,143</u>	\$ <u>181,143</u>	\$ <u>167,449</u>	\$ <u>13,694</u>
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u>-0-</u>	\$ <u><u>-0-</u></u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ <u>-0-</u>	
Fund Balance at beginning of year				
Fund Balance at end of year			\$ <u><u>-0-</u></u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Preschool Grant

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>31,286</u>	\$ <u>31,286</u>	\$ <u>35,198</u>	\$ <u>3,912</u>
Expenditures -				
Special education program	\$ <u>31,286</u>	\$ <u>31,286</u>	\$ <u>35,198</u>	\$ <u>(3,912)</u>
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ <u>-0-</u>	
Fund Balance at beginning of year				
Fund Balance at end of year			\$ <u>-0-</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Even Start Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>360,000</u>	\$ <u>360,000</u>	\$ <u>360,000</u>	\$ <u>-0-</u>
Expenditures -				
Community services	\$ <u>360,000</u>	\$ <u>360,000</u>	\$ <u>360,000</u>	\$ <u>-0-</u>
Excess of Revenues Over (Under)				
Expenditures (Budgetary Basis)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ <u>-0-</u>	
Fund Balance at beginning of year				
Fund Balance at end of year			\$ <u>-0-</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Title VI Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ _____	\$ _____	\$ 1,386	\$ 1,386
Expenditures -				
Regular instruction program	\$ _____	\$ _____	\$ 2,045	\$ (2,045)
Regular instruction support	_____	_____	(659)	659
	\$ _____	\$ _____	\$ 1,386	\$ (1,386)
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Adjustment for encumbrances			-0-	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ -0-	
Fund Balance at beginning of year			_____	
Fund Balance at end of year			\$ -0-	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Class Size Reduction

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ _____	\$ _____	\$ 11,163	\$ 11,163
Expenditures -				
Regular instruction program	\$ _____	\$ _____	\$ 11,163	\$ (11,163)
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ -0-	\$ <u>-0-</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ -0-	
Fund Balance at beginning of year			<u> </u>	
Fund Balance at end of year			\$ <u>-0-</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Migrant Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ _____	\$ _____	\$ 23,060	\$ 23,060
Expenditures -				
Regular instruction program	\$ _____	\$ _____	\$ 23,042	\$ (23,042)
Other student support	_____	_____	18	(18)
	\$ _____	\$ _____	\$ 23,060	\$ (23,060)
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ -0-	\$ <u>-0-</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ -0-	
Fund Balance at beginning of year			_____	
Fund Balance at end of year			\$ <u>-0-</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

TCLS II Grant

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ _____	\$ _____	\$ 43,400	\$ 43,400
Expenditures -				
Regular instruction program	\$ _____	\$ _____	\$ 29,197	\$ (29,197)
Regular instruction support	_____	_____	14,203	(14,203)
	\$ _____	\$ _____	\$ 43,400	\$ (43,400)
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Adjustment for encumbrances			-0-	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ -0-	
Fund Balance at beginning of year				
Fund Balance at end of year			\$ -0-	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Project Eagle

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>125,000</u>	\$ <u>125,000</u>	\$ <u>11,871</u>	\$ <u>(113,129)</u>
Expenditures -				
Community services	\$ <u>120,000</u>	\$ <u>120,000</u>	\$ <u>11,639</u>	\$ <u>108,361</u>
Transportation	<u>5,000</u>	<u>5,000</u>	<u>232</u>	<u>4,768</u>
	\$ <u>125,000</u>	\$ <u>125,000</u>	\$ <u>11,871</u>	\$ <u>113,129</u>
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ <u>-0-</u>	
Fund Balance at beginning of year				
Fund Balance at end of year			\$ <u>-0-</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Title III Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>25,046</u>	\$ <u>25,046</u>	\$ <u>14,807</u>	\$ <u>(10,239)</u>
Expenditures -				
Regular instruction program	\$ <u>25,046</u>	\$ <u>25,046</u>	\$ <u>14,807</u>	\$ <u>10,239</u>
Excess of Revenues Over (Under) Expenditures (Budgetary basis)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ <u>-0-</u>	
Fund Balance at beginning of year				
Fund Balance at end of year			\$ <u>-0-</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Title V Program

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Budgeting Basis Variance with GAAP)

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Federal program revenues	\$ <u>37,266</u>	\$ <u>37,266</u>	\$ <u>31,211</u>	\$ <u>(6,055)</u>
Expenditures -				
Regular instruction program			\$ 1,418	\$ (1,418)
Other student support	\$ 9,000	\$ 9,000	741	8,259
Regular instruction program support	<u>28,266</u>	<u>28,266</u>	<u>29,052</u>	<u>(786)</u>
	\$ <u>37,266</u>	\$ <u>37,266</u>	\$ <u>31,211</u>	\$ <u>6,055</u>
Excess of Revenues Over (Under)				
Expenditures (Budgetary basis)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ -0-	\$ <u>-0-</u>
Adjustment for encumbrances			<u>-0-</u>	
Excess of Revenues Over (Under) Expenditures (GAAP basis)			\$ -0-	
Fund Balance at beginning of year				
Fund Balance at end of year			\$ <u>-0-</u>	

See notes to financial statements.

NONMAJOR CAPITAL PROJECTS FUNDS

Capital Improvement and Contingency Fund accounts for revenues and expenditures associated with the acquisition or construction of various capital projects for general government activities.

Community Development Fund accounts for Community Development Block grants and state grants received and the improvements and expenditures related to the programs.

Battlefield River Trail Fund accounts for revenue from a federal grant and expenditures related to the construction of a recreational trail along the Stones River.

TML Loan Funds accounts for the proceeds of loans through the Tennessee Municipal League and the expenditures related to various projects funded by the loans. The funds included are 1996 TML Loan, 1998 TML Loan, 1999 TML Loan, and 2002 TML Loan.

Lytle Creek Greenway Fund accounts for revenue from a federal grant and expenditures related to the construction of a recreational greenway trail along Lytle Creek.

Commerce Park Fund accounts for the City's development of land to be used in future projects.

CITY OF MURFREESBORO, TENNESSEE

Combining Balance Sheet
Nonmajor Capital Project Funds

June 30, 2003

	Capital Improvement and Contingency	Community Development	Battlefield River Trail	Lytle Creek Greenway	Commerce Park	1996 TML Loan	1998 TML Loan	1999 TML Loan	2002 TML Loan	Total Nonmajor Capital Projects
<u>ASSETS</u>										
Cash and cash equivalents	\$ 4,814,192	\$ 83	\$ 494		\$ 429,809		\$ 282,330	\$ 262,304	\$ 55,879	\$ 5,845,091
Due from other funds		17,378				\$ 200,104	572,644			790,126
Due from other governments		1,442	408,695	\$ 137,932						548,069
	<u>\$ 4,814,192</u>	<u>\$ 18,903</u>	<u>\$ 409,189</u>	<u>\$ 137,932</u>	<u>\$ 429,809</u>	<u>\$ 200,104</u>	<u>\$ 854,974</u>	<u>\$ 262,304</u>	<u>\$ 55,879</u>	<u>\$ 7,183,286</u>
<u>LIABILITIES AND FUND BALANCE</u>										
Liabilities-										
Accounts payable	\$ 2,801				\$ 392,779		\$ 33,087	\$ 710,697		\$ 1,139,364
Due to other funds	73,596		\$ 408,695	\$ 137,932	3,060,670				\$ 436,710	4,117,603
Deferred revenue	350,343		494							350,837
Due to others		\$ 1,373								1,373
	<u>\$ 426,740</u>	<u>\$ 1,373</u>	<u>\$ 409,189</u>	<u>\$ 137,932</u>	<u>\$ 3,453,449</u>		<u>\$ 33,087</u>	<u>\$ 710,697</u>	<u>\$ 436,710</u>	<u>\$ 5,609,177</u>
Fund Balance -										
Unreserved -										
Undesignated	\$ 4,387,452	\$ 17,530			\$ (3,023,640)	\$ 200,104	\$ 821,887	\$ (448,393)	\$ (380,831)	\$ 1,574,109
	<u>\$ 4,814,192</u>	<u>\$ 18,903</u>	<u>\$ 409,189</u>	<u>\$ 137,932</u>	<u>\$ 429,809</u>	<u>\$ 200,104</u>	<u>\$ 854,974</u>	<u>\$ 262,304</u>	<u>\$ 55,879</u>	<u>\$ 7,183,286</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Revenue, Expenditures, and Changes in Fund Balance
Nonmajor Capital Project Funds

Year Ended June 30, 2003

	Capital Improvement and Contingency Fund	Community Development Fund	Battlefield River Trail Fund	1996 TML Loan Fund	1998 TML Loan Fund
Revenue-					
Revenue from federal government		\$ 613,788	\$ 119,494		
Revenue from county government	\$ 938,962				
Revenue from other agencies	97,913				
Interest income	40,047				\$ 4,707
Rental income	66,303				
Other revenue		96,044		\$ 89,825	22,124
	<u>\$ 1,143,225</u>	<u>\$ 709,832</u>	<u>\$ 119,494</u>	<u>\$ 89,825</u>	<u>\$ 26,831</u>
Expenditures-					
Civic Plaza					\$ 32,283
Manson/McFarland Landfill					30,153
Storm Water Management					
Other costs					50
Community development -					
Administration		\$ 99,158			
Housing rehabilitation		386,302			
Housing assistance		90,405			
Other		124,485			
Capital outlay -					
Street construction and drainage					1,931,299
Battlefield River Trail			\$ 119,494		
Health Department	\$ 101,489				
Recreation projects					18,340
Old Fort Golf Course					19,222
Senior Center					
Solid Waste					
Other projects and costs	34,600				
	<u>\$ 136,089</u>	<u>\$ 700,350</u>	<u>\$ 119,494</u>	<u>\$ -</u>	<u>\$ 2,031,347</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 1,007,136</u>	<u>\$ 9,482</u>	<u>\$ -</u>	<u>\$ 89,825</u>	<u>\$ (2,004,516)</u>
Other Financing Sources (Uses)-					
Proceeds of loans					\$ 1,980,000
Proceeds from sale of land					
Transfer to other funds	\$ (939,424)	\$ (6,000)		\$ (89,825)	
	<u>\$ (939,424)</u>	<u>\$ (6,000)</u>		<u>\$ (89,825)</u>	<u>\$ 1,980,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 67,712	\$ 3,482	\$ -	\$ -	\$ (24,516)
Fund Balance at beginning of year	4,319,740	14,048	-	200,104	846,403
Fund Balance at end of year	<u>\$ 4,387,452</u>	<u>\$ 17,530</u>	<u>\$ -</u>	<u>\$ 200,104</u>	<u>\$ 821,887</u>

See notes to financial statements.

1999 TML Loan Fund	2002 TML Loan Fund	Commerce Park Fund	Total Nonmajor Capital Projects Funds
			\$ 733,282
			938,962
			97,913
\$ 4,412	\$ 42	\$ 4,856	54,064
			66,303
			207,993
<u>\$ 4,412</u>	<u>\$ 42</u>	<u>\$ 4,856</u>	<u>\$ 2,098,517</u>
			\$ 32,283
\$ 408			30,561
14,102	\$ 430,147		444,249
1,515	30,000	\$ 120,385	151,950
			99,158
			386,302
			90,405
			124,485
500,078	6,563	\$ 1,805,394	4,243,334
			119,494
			101,489
2,156,995			2,175,335
1,034,458			1,034,458
58,266			77,488
199,100	1,687,298		1,886,398
			34,600
<u>\$ 3,964,922</u>	<u>\$ 2,154,008</u>	<u>\$ 1,925,779</u>	<u>\$ 11,031,989</u>
<u>\$ (3,960,510)</u>	<u>\$ (2,153,966)</u>	<u>\$ (1,920,923)</u>	<u>\$ (8,933,472)</u>
\$ 3,550,000	\$ 1,773,135		\$ 7,303,135
		\$ 7,929,389	7,929,389
		(3,663,496)	(4,698,745)
<u>\$ 3,550,000</u>	<u>\$ 1,773,135</u>	<u>\$ 4,265,893</u>	<u>\$ 10,533,779</u>
\$ (410,510)	\$ (380,831)	\$ 2,344,970	\$ 1,600,307
(37,883)	-	(5,368,610)	(26,198)
<u>\$ (448,393)</u>	<u>\$ (380,831)</u>	<u>\$ (3,023,640)</u>	<u>\$ 1,574,109</u>

CITY OF MURFREESBORO, TENNESSEE

Capital Improvement and Contingency Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue-				
Revenue from county government			\$ 938,962	\$ 938,962
Revenue from other agencies			97,913	97,913
Interest income	\$ 125,000	\$ 125,000	40,047	(84,953)
Sale of notes	2,000,000	2,000,000		(2,000,000)
Rental income	50,000	50,000	66,303	16,303
	<u>\$ 2,175,000</u>	<u>\$ 2,175,000</u>	<u>\$ 1,143,225</u>	<u>\$ (1,031,775)</u>
Expenditures-				
Capital outlay	\$ 2,000,000	\$ 2,000,000		\$ 2,000,000
Health Department	799,400	799,400	\$ 101,489	697,911
Other projects and costs	10,000	10,000	34,600	(24,600)
	<u>\$ 2,809,400</u>	<u>\$ 2,809,400</u>	<u>\$ 136,089</u>	<u>\$ 2,673,311</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (634,400)</u>	<u>\$ (634,400)</u>	<u>\$ 1,007,136</u>	<u>\$ 1,641,536</u>
Other Financing Sources (Uses)-				
Transfers to other funds	<u>(2,608,000)</u>	<u>(2,608,000)</u>	<u>(939,424)</u>	<u>1,668,576</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (3,242,400)</u>	<u>\$ (3,242,400)</u>	<u>\$ 67,712</u>	<u>\$ 3,310,112</u>
Fund Balance at beginning of year			<u>4,319,740</u>	
Fund Balance at end of year			<u>\$ 4,387,452</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Community Development Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue-				
Revenue from federal government	\$ 991,942	991,942	\$ 613,788	\$ (378,154)
Other revenue			96,044	96,044
	<u>\$ 991,942</u>	<u>\$ 991,942</u>	<u>\$ 709,832</u>	<u>\$ (282,110)</u>
Expenditures-				
Administration	\$ 106,914	\$ 106,914	\$ 99,158	\$ 7,756
Housing rehabilitation	311,857	311,857	386,302	(74,445)
Housing assistance	160,573	160,573	90,405	70,168
Other	406,598	406,598	124,485	282,113
	<u>\$ 985,942</u>	<u>\$ 985,942</u>	<u>\$ 700,350</u>	<u>\$ 285,592</u>
Excess of Revenues Over (Under) Expenditures	\$ 6,000	\$ 6,000	\$ 9,482	\$ 3,482
Other Financing Sources (Uses)-				
Transfers to other funds	(6,000)	(6,000)	(6,000)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,482</u>	<u>\$ 3,482</u>
Fund Balance at beginning of year			14,048	
Fund Balance at end of year			<u>\$ 17,530</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Battlefield River Trail

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue-				
Miscellaneous revenue	\$ <u>185,634</u>	\$ <u>185,634</u>	\$ <u>119,494</u>	\$ <u>(66,140)</u>
Expenditures-				
Battlefield river trail expense	\$ <u>185,634</u>	\$ <u>185,634</u>	\$ <u>119,494</u>	\$ <u>66,140</u>
Excess of Revenues Over (Under) Expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Fund Balance at beginning of year			<u>-</u>	
Fund Balance at end of year			\$ <u>-</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

1996 TML Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue-				
Miscellaneous revenue	\$ <u>-</u>	\$ <u>-</u>	\$ <u>89,825</u>	\$ <u>89,825</u>
Excess of Revenues Over (Under) Expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>89,825</u>	\$ <u>89,825</u>
Other Financing Sources (Uses)-				
Transfers to other funds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(89,825)</u>	\$ <u>(89,825)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Fund Balance at beginning of year			<u>200,104</u>	
Fund Balance at end of year			\$ <u><u>200,104</u></u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

1998 TML Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue-				
Interest income	\$ 3,500	\$ 3,500	\$ 4,707	\$ 1,207
Miscellaneous revenue			22,124	22,124
	<u>\$ 3,500</u>	<u>\$ 3,500</u>	<u>\$ 26,831</u>	<u>\$ 23,331</u>
Expenditures-				
Capital Outlay	\$ 3,431,500	\$ 3,431,500	\$ 2,031,347	\$ 1,400,153
Excess of Revenues Over (Under) Expenditures	<u>\$ (3,428,000)</u>	<u>\$ (3,428,000)</u>	<u>\$ (2,004,516)</u>	<u>\$ 1,423,484</u>
Other Financing Sources (Uses)-				
Proceeds from loans	\$ 3,431,500	\$ 3,431,500	\$ 1,980,000	\$ (1,451,500)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 3,500</u>	<u>\$ 3,500</u>	<u>\$ (24,516)</u>	<u>\$ (28,016)</u>
Fund Balance at beginning of year			846,403	
Fund Balance at end of year			<u>\$ 821,887</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

1999 TML Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue-				
Interest income	\$ <u>7,000</u>	\$ <u>7,000</u>	\$ <u>4,412</u>	\$ <u>(2,588)</u>
Expenditures-				
Capital outlay and other projects	\$ <u>5,500,000</u>	\$ <u>5,500,000</u>	\$ <u>3,964,922</u>	\$ <u>1,535,078</u>
Excess of Revenues Over (Under) Expenditures	\$ <u>(5,493,000)</u>	\$ <u>(5,493,000)</u>	\$ <u>(3,960,510)</u>	\$ <u>1,532,490</u>
Other Financing Sources (Uses)-				
Proceeds from loans	\$ <u>5,500,000</u>	\$ <u>5,500,000</u>	\$ <u>3,550,000</u>	\$ <u>(1,950,000)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ <u><u>7,000</u></u>	\$ <u><u>7,000</u></u>	\$ <u>(410,510)</u>	\$ <u><u>(417,510)</u></u>
Fund Balance at beginning of year			<u>(37,883)</u>	
Fund Balance at end of year			\$ <u><u>(448,393)</u></u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

2002 TML Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue-				
Interest revenue	\$ <u>-</u>	\$ <u>-</u>	\$ <u>42</u>	\$ <u>42</u>
Expenditures-				
Capital outlay and other projects	\$ <u>-</u>	\$ <u>2,154,050</u>	\$ <u>2,154,008</u>	\$ <u>42</u>
Excess of Revenues Over (Under) Expenditures	\$ <u>-</u>	\$ <u>(2,154,050)</u>	\$ <u>(2,153,966)</u>	\$ <u>84</u>
Other Financing Sources (Uses)-				
Proceeds of loans	\$ <u>-</u>	\$ <u>2,154,050</u>	\$ <u>1,773,135</u>	\$ <u>(380,915)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(380,831)</u>	\$ <u>(380,831)</u>
Fund Balance at beginning of year			<u>-</u>	
Fund Balance at end of year			\$ <u>(380,831)</u>	

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Commerce Park

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue-				
Interest income	\$ <u>5,400</u>	\$ <u>5,400</u>	\$ <u>4,856</u>	\$ <u>(544)</u>
Expenditures-				
Capital outlay and other projects	\$ <u>2,680,000</u>	\$ <u>2,680,000</u>	\$ <u>1,925,779</u>	\$ <u>754,221</u>
Excess of Revenues Over (Under) Expenditures	\$ <u>(2,674,600)</u>	\$ <u>(2,674,600)</u>	\$ <u>(1,920,923)</u>	\$ <u>753,677</u>
Other Financing Sources (Uses)-				
Proceeds from sale of land	\$ <u>5,360,000</u>	\$ <u>5,360,000</u>	\$ <u>7,929,389</u>	\$ <u>2,569,389</u>
Transfer to other fund	<u>(3,041,000)</u>	<u>(3,041,000)</u>	<u>(3,663,496)</u>	<u>(622,496)</u>
	\$ <u>2,319,000</u>	\$ <u>2,319,000</u>	\$ <u>4,265,893</u>	\$ <u>1,946,893</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ <u>(355,600)</u>	\$ <u>(355,600)</u>	\$ <u>2,344,970</u>	\$ <u>2,700,570</u>
Fund Balance at beginning of year			<u>(5,368,610)</u>	
Fund Balance at end of year			\$ <u>(3,023,640)</u>	

See notes to financial statements.

MAJOR CAPITAL PROJECTS FUND

The City has one capital project fund which it considers to be a major fund.

2001 TML Fund accounts for the proceeds of a loan through the Tennessee Municipal League and the expenditures related to various projects funded by the loan.

CITY OF MURFREESBORO, TENNESSEE

2001 TML Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenue-				
Interest income	\$ 10,000	\$ 72,150	\$ 72,175	\$ 25
Other revenue		361,600	361,586	(14)
	<u>\$ 10,000</u>	<u>\$ 433,750</u>	<u>\$ 433,761</u>	<u>\$ 11</u>
Expenditures-				
Capital outlay and other projects	<u>\$ 5,000,000</u>	<u>\$ 10,242,500</u>	<u>\$ 10,242,030</u>	<u>\$ 470</u>
Excess of Revenues Over (Under) Expenditures	\$ (4,990,000)	\$ (9,808,750)	\$ (9,808,269)	\$ 481
Other Financing Sources (Uses)-				
Proceeds from loans	<u>5,000,000</u>	<u>7,585,000</u>	<u>7,585,000</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 10,000</u>	<u>\$ (2,223,750)</u>	<u>\$ (2,223,269)</u>	<u>\$ 481</u>
Fund Balance at beginning of year			<u>3,692,681</u>	
Fund Balance at end of year			<u>\$ 1,469,412</u>	

See notes to financial statements.

DEBT SERVICE FUND

Debt Service Fund accounts for the accumulation of resources for, and payment of, general long-term obligations.

CITY OF MURFREESBORO, TENNESSEE

Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual

Year Ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues -				
Revenue from others	\$ 30,000	\$ 30,000	\$ 32,110	\$ 2,110
Interest earned			40,997	40,997
	<u>\$ 30,000</u>	<u>\$ 30,000</u>	<u>\$ 73,107</u>	<u>\$ 43,107</u>
Expenditures -				
Principal retirement	\$ 15,572,261	\$ 15,572,261	\$ 16,402,262	\$ (830,001)
Interest	4,140,600	4,140,600	2,092,591	2,048,009
Fiscal agent fees	130,000	130,000	121,481	8,519
	<u>\$ 19,842,861</u>	<u>\$ 19,842,861</u>	<u>\$ 18,616,334</u>	<u>\$ 1,226,527</u>
Excess of Revenues Over (Under) Expenditures	\$ (19,812,861)	\$ (19,812,861)	\$ (18,543,227)	\$ 1,269,634
Other Financing Sources -				
Operating transfers in	<u>17,812,861</u>	<u>17,812,861</u>	<u>18,595,490</u>	<u>782,629</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	<u>\$ (2,000,000)</u>	<u>\$ (2,000,000)</u>	\$ 52,263	<u>\$ 2,052,263</u>
Fund Balance at beginning of year			<u>3,048,805</u>	
Fund Balance at end of year			<u>\$ 3,101,068</u>	

See notes to financial statements.

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for the operation of self-sustaining agencies rendering services to the general public on a user-charge basis. Activities necessary to provide these services are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

Industrial Building Funds account for land and buildings owned by the City, which were formerly leased to Foremost Dairies, Inc. and Alton Box Board Company. These funds are generally inactive.

Evergreen Cemetery Fund accounts for the operation and maintenance of the Evergreen Cemetery. Revenues are derived primarily from sales of lots, charges for services, and investment earnings.

CITY OF MURFREESBORO, TENNESSEE

Combining Balance Sheet
Nonmajor Enterprise Funds

June 30, 2003

	Foremost Dairies, Inc. Plant	Alton Box Board Co. Plant	Evergreen Cemetery	Totals
<u>ASSETS</u>				
Current Assets -				
Cash and cash equivalents			\$ 134,333	\$ 134,333
Accounts receivable			62,863	62,863
Due from other funds	\$ 21,910	\$ 10,502		32,412
Inventories			41,534	41,534
Prepaid expenses			4,161	4,161
Total Current Assets	\$ 21,910	\$ 10,502	\$ 242,891	\$ 275,303
Noncurrent Assets -				
Capital assets -				
Land and construction in progress	\$ 12,492	\$ 11,000	\$ 935	\$ 24,427
Other capital assets, net of depreciation			125,813	125,813
Total Noncurrent Assets	\$ 12,492	\$ 11,000	\$ 126,748	\$ 150,240
Total Assets	\$ 34,402	\$ 21,502	\$ 369,639	\$ 425,543
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities -				
Accrued and withheld liabilities			\$ 1,095	\$ 1,095
Total Current Liabilities			\$ 1,095	\$ 1,095
Net Assets -				
Invested in capital assets			\$ 126,748	\$ 126,748
Unrestricted	\$ 34,402	\$ 21,502	241,796	297,700
Total Net Assets	\$ 34,402	\$ 21,502	\$ 368,544	\$ 424,448
Total Liabilities and Net Assets	\$ 34,402	\$ 21,502	\$ 369,639	\$ 425,543

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Revenue, Expenses, and Changes in Net Assets
Nonmajor Enterprise Funds

Year Ended June 30, 2003

	Foremost Dairies, Inc. Plant	Alton Box Board Co. Plant	Evergreen Cemetery	Totals
Operating Revenues - Charges for services			\$ 312,331	\$ 312,331
Operating Expenses - Operating expenses			\$ 293,941	\$ 293,941
Depreciation and amortization expense			18,658	18,658
			\$ 312,599	\$ 312,599
Operating Income (Loss)			\$ (268)	\$ (268)
Nonoperating Revenues - Interest			1,893	1,893
Income (Loss) Before Transfers			\$ 1,625	\$ 1,625
Transfers in			57,614	57,614
Change in Net Assets			\$ 59,239	\$ 59,239
Net Assets at beginning of year	\$ 34,402	\$ 21,502	309,305	365,209
Net Assets at end of year	\$ 34,402	\$ 21,502	\$ 368,544	\$ 424,448

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Cash Flows
Nonmajor Enterprise Funds

Year Ended June 30, 2003

	<u>Foremost Dairies, Inc. Plant</u>	<u>Alton Box Board Co. Plant</u>	<u>Evergreen Cemetery</u>	<u>Totals</u>
Cash Flows from Operating Activities -				
Cash received from customers			\$ 318,180	\$ 318,180
Cash payments to suppliers			(117,480)	(117,480)
Cash payments to employees			(175,079)	(175,079)
Net Cash Provided by Operating Activities			\$ 25,621	\$ 25,621
Cash Flows from Noncapital Financing Activities -				
Transfers in			\$ 57,614	\$ 57,614
Net Cash Provided by Noncapital Financing Activities			\$ 57,614	\$ 57,614
Cash Flows From Capital and Related Financing Activities -				
Acquisition and construction of fixed assets			\$ (22,925)	\$ (22,925)
Net Cash Used by Capital and Related Financing Activities			\$ (22,925)	\$ (22,925)
Cash Flows From Investing Activities -				
Interest received			\$ 1,893	\$ 1,893
Net Cash Provided by Investing Activities			\$ 1,893	\$ 1,893
Net Increase in Cash and Cash Equivalents	\$ -0-	\$ -0-	\$ 62,203	\$ 62,203
Cash and Cash Equivalents at beginning of year	-0-	-0-	72,130	72,130
Cash and Cash Equivalents at end of year	\$ -0-	\$ -0-	\$ 134,333	\$ 134,333
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating loss			\$ (268)	\$ (268)
Adjustments to reconcile operating income to net cash provided by operating activities -				
Depreciation			18,658	18,658
Changes in assets and liabilities -				
Accounts receivable			5,849	5,849
Inventory			1,564	1,564
Prepaid expenses			(236)	(236)
Accrued and withheld liabilities			54	54
Net Cash Provided by Operating Activities			\$ 25,621	\$ 25,621

See notes to financial statements.

INTERNAL SERVICE FUNDS

Internal Service Funds are used to provide goods and services to other governmental operating units such as departments or agencies on a cost reimbursement basis.

Insurance Fund accounts for revenues and costs associated with the City's self-funded group health insurance plan. Revenues are derived from premiums collected from the various City departments. Costs include medical claims and administrative expenses.

Risk Management Fund accounts for revenues and costs associated with the City's self-funded liability and worker's compensation insurance programs.

Fleet Services Fund accounts for fleet and equipment management to other departments or agencies of the City on a cost reimbursement basis.

CITY OF MURFREESBORO, TENNESSEE

Combining Balance Sheet
Internal Service Funds

June 30, 2003

	<u>Insurance</u>	<u>Risk Mangement</u>	<u>Fleet Services</u>	<u>Totals</u>
<u>ASSETS</u>				
Current Assets -				
Cash and cash equivalents	\$ 559,564	\$ 3,115,978		\$ 3,675,542
Accrued interest receivable		4,101		4,101
Due from other funds	374,538	2,500,000	\$ 9,622	2,884,160
Due from others	7,989	360		8,349
Prepaid expenses	52,495			52,495
Inventory			89,601	89,601
Total current assets	\$ 994,586	\$ 5,620,439	\$ 99,223	\$ 6,714,248
Total Assets	\$ 994,586	\$ 5,620,439	\$ 99,223	\$ 6,714,248
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities -				
Accounts payable	\$ 277,231	\$ 83,869		\$ 361,100
Due to other funds		1,520		1,520
Claims and judgments payable		870,000		870,000
Total Current Liabilities	\$ 277,231	\$ 955,389		\$ 1,232,620
Noncurrent Liabilities -				
Claims and judgments payable		\$ 1,305,000		\$ 1,305,000
Total Liabilities	\$ 277,231	\$ 2,260,389		\$ 2,537,620
Net Assets -				
Unrestricted	\$ 717,355	\$ 3,360,050	\$ 99,223	\$ 4,176,628
Total Net Assets	\$ 717,355	\$ 3,360,050	\$ 99,223	\$ 4,176,628
Total Liabilities and Net Assets	\$ 994,586	\$ 5,620,439	\$ 99,223	\$ 6,714,248

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Revenues, Expenses, and Changes in Net Assets
Internal Service Funds

Year Ended June 30, 2003

	<u>Insurance</u>	<u>Risk Management</u>	<u>Fleet Services</u>	<u>Totals</u>
Operating Revenue -				
Premiums from City departments	\$ 4,407,545	\$ 2,261,304		\$ 6,668,849
Premiums from others	942,106			942,106
Charges for services			\$ 1,410,392	1,410,392
Miscellaneous			843	843
	<u>\$ 5,349,651</u>	<u>\$ 2,261,304</u>	<u>\$ 1,411,235</u>	<u>\$ 9,022,190</u>
Operating Expenses -				
Claims and administrative expense	\$ 5,090,822	\$ 1,180,325		\$ 6,271,147
Labor expense		132,792	\$ 470,409	603,201
Parts and lubricants			640,991	640,991
Operation and maintenance			33,691	33,691
Supplies			28,498	28,498
Insurance			20,244	20,244
Social Security			35,095	35,095
Group insurance			62,988	62,988
Retirement			41,379	41,379
Utilities			11,332	11,332
Travel			4,800	4,800
Training personnel			148	148
Miscellaneous		194,554	3,604	198,158
Capital outlay			27,615	27,615
	<u>\$ 5,090,822</u>	<u>\$ 1,507,671</u>	<u>\$ 1,380,794</u>	<u>\$ 7,979,287</u>
Operating Income (Loss)	\$ 258,829	\$ 753,633	\$ 30,441	\$ 1,042,903
Nonoperating Revenue -				
Interest earned	<u>5,874</u>	<u>42,327</u>		<u>48,201</u>
Net Income	\$ 264,703	\$ 795,960	\$ 30,441	\$ 1,091,104
Net Assets at beginning of year	<u>452,652</u>	<u>2,564,090</u>	<u>68,782</u>	<u>3,085,524</u>
Net Assets at end of year	<u><u>\$ 717,355</u></u>	<u><u>\$ 3,360,050</u></u>	<u><u>\$ 99,223</u></u>	<u><u>\$ 4,176,628</u></u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Cash Flows

Internal Service Funds

Year Ended June 30, 2003

	<u>Insurance</u>	<u>Risk Management</u>	<u>Fleet Services</u>	<u>Totals</u>
Cash Flows From Operating Activities-				
Cash received from interfund services provided	\$ 4,975,113	\$ 2,261,304	\$ 1,406,465	\$ 8,642,882
Cash payments to suppliers			(936,899)	(936,899)
Cash payments to employees		(132,793)	(470,409)	(603,202)
Cash payments of claims and administrative expenses	(5,042,658)	(1,560,240)		(6,602,898)
Other receipts (payments)		(193,394)	843	(192,551)
Net Cash Provided (Used) by Operating Activities	\$ <u>(67,545)</u>	\$ <u>374,877</u>	\$ <u>-0-</u>	\$ <u>307,332</u>
Cash Flows From Investing Activities-				
Interest received	\$ <u>5,874</u>	\$ <u>42,221</u>		\$ <u>48,095</u>
Net Cash Provided by Investing Activities	\$ <u>5,874</u>	\$ <u>42,221</u>		\$ <u>48,095</u>
Net Increase in Cash and Cash Equivalents	\$ (61,671)	\$ 417,098	\$ -0-	\$ 355,427
Cash and Cash Equivalents at beginning of year	621,235	2,698,880		3,320,115
Cash and Cash Equivalents at end of year	\$ <u><u>559,564</u></u>	\$ <u><u>3,115,978</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>3,675,542</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 258,829	\$ 753,633	\$ 30,441	\$ 1,042,903
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Changes in assets and liabilities -				
Due from other funds	(374,538)		(3,926)	(378,464)
Due from others	20,823	321		21,144
Prepaid expense	(52,495)			(52,495)
Inventory			(26,515)	(26,515)
Accounts payable	79,836	(380,237)		(300,401)
Due to other funds		1,160		1,160
Net Cash Provided (Used) by Operating Activities	\$ <u><u>(67,545)</u></u>	\$ <u><u>374,877</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>307,332</u></u>

See notes to financial statements.

PENSION TRUST FUNDS

Pension Trust Funds account for assets held in trust on behalf of City employees. The funds are accounted for in the same manner as proprietary funds.

Employees' Pension Trust Fund accounts for revenues and expenses associated with the City's defined benefit employee pension plan. Revenues are derived primarily from contributions made by the City, employees, and earnings on investments.

Electric Department Employee Pension Fund accounts for revenues and expenses associated with the administration of the pension plan on behalf of the employees of the Murfreesboro Electric Department. Revenues are derived primarily from contributions made by the employer, employees, and investment earnings.

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Net Assets
Pension Trust Funds

June 30, 2003

	<u>Employees'</u> <u>Pension</u>	<u>Electric</u> <u>Department</u> <u>Pension</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,282,509	\$ 1,028,750	\$ 5,311,259
Investments, at fair value	42,443,754	6,965,609	49,409,363
Accrued interest receivable		61,220	61,220
Contributions receivable	166,669	493,679	660,348
	<u>\$ 46,892,932</u>	<u>\$ 8,549,258</u>	<u>\$ 55,442,190</u>
<u>NET ASSETS</u>			
Net Assets -			
Held in trust for pension benefits	<u>\$ 46,892,932</u>	<u>\$ 8,549,258</u>	<u>\$ 55,442,190</u>

See notes to financial statements.

CITY OF MURFREESBORO, TENNESSEE

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds

Year Ended June 30, 2003

	<u>Employees'</u> <u>Pension</u>	<u>Electric</u> <u>Department</u> <u>Pension</u>	<u>Totals</u>
Additions -			
Contributions -			
Employer	\$ 2,581,080	\$ 493,679	\$ 3,074,759
Investment income-			
Net appreciation in fair value of investments	\$ 620,016	\$ 139,389	\$ 759,405
Interest	1,428,546	227,988	1,656,534
Dividends	256,244	71,804	328,048
Total investment income	\$ 2,304,806	\$ 439,181	\$ 2,743,987
Less investment fees		(24,762)	(24,762)
Net investment income	\$ 2,304,806	\$ 414,419	\$ 2,719,225
Total additions	\$ 4,885,886	\$ 908,098	\$ 5,793,984
Deductions -			
Benefits to participants	\$ 1,290,416	\$ 299,035	\$ 1,589,451
Insurance premiums	355,938		355,938
Total deductions	\$ 1,646,354	\$ 299,035	\$ 1,945,389
Net Increase (Decrease)	\$ 3,239,532	\$ 609,063	\$ 3,848,595
Net Assets Held in Trust for Pension Benefits -			
Beginning of year	43,653,400	7,940,195	51,593,595
End of year	\$ 46,892,932	\$ 8,549,258	\$ 55,442,190

See notes to financial statements.

FINANCIAL SCHEDULES

Financial Schedules are presented to demonstrate finance related legal and contractual compliance, provide details of data summarized in the financial statements, and present other information deemed useful.

CITY OF MURFREESBORO, TENNESSEE

Schedule of Certificates of Deposit by Fund

June 30, 2003

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Enterprise Funds -			
Murfreesboro Water and Sewer Department -			
Amsouth Bank, Murfreesboro	2.15 %	07-09-03	\$ 500,000
Bank of Murfreesboro	2.00	04-03-04	500,000
Bank of Murfreesboro	1.58	02-24-04	500,000
Regions Bank	2.10	05-04-04	500,000
Rutherford Bank	2.80	08-16-03	500,000
Suntrust Bank	3.66	12-10-03	500,000
Suntrust Bank	2.20	01-24-04	500,000
Suntrust Bank	3.38	09-13-03	500,000
Suntrust Bank	3.52	01-29-04	500,000
Suntrust Bank	1.33	07-09-03	500,000
Suntrust Bank	3.20	10-29-03	500,000
Suntrust Bank	3.17	11-15-03	500,000
Suntrust Bank	3.14	01-14-04	500,000
US Bank	3.44	10-12-03	500,000
US Bank	1.74	08-03-04	500,002
US Bank	2.06	03-25-04	500,000
US Bank	2.08	05-25-04	500,000
US Bank	1.85	06-16-04	500,000
US Bank	3.61	12-17-03	500,000
US Bank	4.46	07-23-03	500,000
			<u>\$ 10,000,002</u>
Murfreesboro Electric Department -			
Suntrust Bank	4.71 %	07-10-03	\$ <u>1,030,000</u>
Evergreen Cemetery Commission -			
Cavalry Banking	1.65 %	10-04-04	\$ 16,772
Cavalry Banking	1.10	03-31-04	16,313
Cavalry Banking	1.20	07-09-04	6,296
			<u>\$ 39,381</u>
Internal Service Funds -			
Risk Management Fund -			
US Bank, Murfreesboro	2.64 %	02-14-04	\$ <u>411,222</u>
Total Certificates of Deposit			<u>\$ 11,480,605</u>

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund

June 30, 2003

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Employees' Pension Trust Fund -			
United States Treasury Notes	6.000 %	08-15-09	\$ 265,430
United States Treasury Notes	6.000	08-15-09	265,430
United States Treasury Bonds	6.000	02-15-26	418,358
Federal National Mortgage Association	5.020	09-12-05	504,220
Federal Farm Credit Bank	4.250	07-01-03	200,000
Federal Home Loan Bank	2.250	10-28-05	251,015
Federal Home Loan Bank	6.000	09-15-05	27,477
Federal Home Loan Bank	5.300	08-15-05	251,328
Federal Home Loan Bank	5.100	09-12-05	504,220
Federal Home Loan Bank	4.100	08-23-05	243,009
Federal Home Loan Bank	5.020	07-05-06	205,812
Federal Home Loan Bank	5.000	07-12-06	257,423
Federal Home Loan Bank	2.030	04-15-03	501,405
Federal Home Loan Bank	3.000	01-29-07	602,814
Federal Home Loan Bank	4.020	11-21-08	371,388
Federated Government Ultrashort Duration Fund	N/A	N/A	500,000
Government National Mortgage Association	7.000	09-15-11	62,836
Government National Mortgage Association II	6.500	04-20-29	111,666
Government National Mortgage Association	7.000	09-15-11	62,836
Government National Mortgage Association	6.500	03-15-29	75,881
Government National Mortgage Association	6.500	01-15-29	100,645
American General Finance	5.875	12-15-05	272,680
Anheuser Busch Companies Incorporated Debenture Notes	7.125	07-01-17	438,124
Bank of America Corporation	3.875	01-15-08	230,716
Banc One Texas Sub Notes	6.250	02-15-08	257,364
Bank One Corporation	6.500	02-01-06	111,010
BankBoston NA	6.375	03-25-08	170,901
Boeing Cap Corporation International Notes	4.350	10-15-06	154,503
CIT Group Incorporated	3.700	03-15-06	101,936
Citicorp Notes	6.375	11-15-08	172,437
Conoco Inc. Sr	5.900	04-15-04	258,598
Countrywide Home Ln Inc. Medium Term Notes	6.840	10-22-04	266,395
Daimlerchrysler NA Holding Notes	5.700	01-15-07	159,722
Eastman Chemical Company	6.375	01-15-04	256,075
Ford Motor Credit Company Notes	6.250	12-08-05	259,260
Ford Motor Credit Company Notes	6.125	01-09-06	103,881

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund (continued)

June 30, 2003

	Interest Rate	Maturity Date	Fair Value
Employees' Pension Trust Fund (continued) -			
Ford Motor Credit Company Notes	7.600 %	08-01-05	\$ 107,369
GTE South	6.125	06-15-07	112,179
General Motors Acceptance Corporation	5.750	11-10-03	101,378
General Motors Acceptance Corporation	6.380	01-30-04	179,611
Goldman Sachs	6.650	05-01-09	234,992
Hewlett-Packard Company Note	7.150	06-15-05	221,162
Household Finance Corporation	6.000	05-01-04	233,766
Household Finance Corporation	5.750	01-30-07	110,364
Household Financial Corporation International	5.250	09-15-05	78,944
Household Financial Corporation International	7.625	11-15-05	110,985
International Lease Finance Corporation	3.000	11-15-05	150,765
Merrill Lynch & Company	6.375	10-15-08	231,320
Merrill Lynch Global Notes	6.000	11-15-04	79,464
JP Morgan	6.000	01-15-09	224,390
Morgan Stanley DW	6.100	04-15-06	165,134
Nationsbank Corporation	7.750	08-15-15	319,440
Nations Bank	6.375	02-15-08	114,519
Northern States Power	6.875	08-01-09	260,260
Salomon Smith Barney	6.250	01-15-05	80,171
Salomon Smith Barney	6.500	02-15-08	172,548
Sara Lee Corporation	6.150	06-19-08	283,480
Scana Corporation Medium Term Note	6.250	07-08-03	250,183
Suntrust Banks	6.250	06-01-08	462,668
Target Corporation	7.500	02-15-05	218,530
United Technologies Corporation	7.000	09-15-06	287,132
Wachovia Corporation	6.375	02-01-09	174,453
Wachovia Corporation	6.250	08-04-08	46,375
Wachovia Corporation	6.150	03-15-09	109,435
Wachovia Corporation	7.450	07-15-05	83,356
Anheuser Busch Company Incorporated Debenture	7.125	07-01-17	438,124
Archer Daniels Midland Company Notes	6.625	05-01-29	287,757
Atlantic Richfield Company Notes	5.900	04-15-09	344,415
Banc One Texas Subordinate Notes	6.250	02-15-08	257,364
Bankamerica Corporation Subordinate Notes	7.625	06-15-04	158,896
Bankers Trust NY Corporation Subordinate Notes	7.375	05-01-08	87,946
Bell Atlantic Financial Services Medium Term Notes Series A	7.600	03-15-07	116,847
Bestfoods Medium Term Note	6.625	04-15-28	346,776
Caterpillar Incorporated Note	7.250	09-15-09	91,375
Countrywide Home Loan Incorporated Medium Term Notes	6.840	10-22-04	266,395
Daimlerchrysler NA Holding Notes	7.400	01-20-05	160,830
FPL Group Capital Incorporated Notes	7.625	09-15-06	144,419
First Union National Bank NC Series Bank Notes	6.180	02-15-36	281,120
GTE Corporation Debentures	7.900	02-01-27	284,643

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund (continued)

June 30, 2003

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Employees' Pension Trust Fund (continued) -			
General Electric Cap Corporation Note	7.250 %	02-01-05	\$ 136,354
General Electric Cap Corporation Medium Term Note	6.125	02-22-11	342,087
Hewlett-Packard Company Notes	7.150	06-15-05	331,743
International Business Machines Corporation Debenture	7.000	10-30-25	302,610
Kimberly-Clark Corporation Notes	7.100	08-01-07	140,458
Lilly Eli & Company Notes	7.125	06-01-25	316,230
Mellon Bank NA Subordinate Bank Notes	7.625	09-15-07	149,710
Morgan J P & Company Incorporated Subordinated Notes	6.700	11-01-07	344,367
Nations Bank Corporation Subordinated Notes	7.750	08-15-15	319,440
Sara Lee Corporation Notes	6.150	06-19-08	283,480
Target Corporation Bonds	7.500	02-15-05	218,530
United Technologies Corporation Notes	7.000	09-15-06	287,133
Wachovia Corporation New Subordinated Notes	6.605	10-01-25	367,695
Washington Gas LT Company Medium Term Notes	6.850	03-09-28	281,592
Wells Fargo Bank NA Subordinated Notes	6.450	02-01-11	353,709
Autozone Incorporated Common Stock	N/A	N/A	91,164
Bed Bath & Beyond Incorporated Common Stock	N/A	N/A	117,819
Brinker International Incorporated Common Stock	N/A	N/A	128,591
Fox Entertainment Group Incorporated Common Stock	N/A	N/A	134,115
Gannett Incorporated Class A Common Stock	N/A	N/A	115,983
Gap Incorporated Common Stock	N/A	N/A	131,977
Harley Davidson Incorporated Common Stock	N/A	N/A	101,045
Lowes Companies Incorporated Common Stock	N/A	N/A	116,609
Starbucks Corporation Common Stock	N/A	N/A	99,059
Tribune Company New Common Stock	N/A	N/A	112,539
Clorox Company Common Stock	N/A	N/A	105,772
Colgate Palmolive Company Common Stock	N/A	N/A	116,480
Procter & Gamble Company Common Stock	N/A	N/A	114,596
Sysco Corporation Common Stock	N/A	N/A	150,651
Apache Corporation Common Stock	N/A	N/A	106,178
Burlington Res Incorporation Common Stock	N/A	N/A	118,413
Exxon Mobil Corporation Common Stock	N/A	N/A	116,528
AFLAC Incorporated Common Stock	N/A	N/A	84,870
Allstate Corporation Common Stock	N/A	N/A	115,684
Ambac Financial Group Incorporated Common Stock	N/A	N/A	141,444
American Express Company Common Stock	N/A	N/A	146,962
Bank of America Corporation Common Stock	N/A	N/A	122,496
Federal Home Loan Mortgage Corporation Common Stock	N/A	N/A	97,986
Fannie Mae Common Stock	N/A	N/A	148,368
SLM Corporation Common Stock	N/A	N/A	117,510
Safeco Corporation Common Stock	N/A	N/A	54,170
Allergan Incorporated Common Stock	N/A	N/A	128,757
Amerisourcebergen Corporation Common Stock	N/A	N/A	148,756

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund (continued)

June 30, 2003

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Employees' Pension Trust Fund (continued) -			
Bausch Lomb Incorporated Common Stock	N/A	N/A	\$ 127,687
Forest Labs Incorporated Common Stock	N/A	N/A	131,400
Johnson & Johnson Common Stock	N/A	N/A	137,263
Pfizer Incorporated Common Stock	N/A	N/A	159,993
Unitedhealth Group Incorporated Common Stock	N/A	N/A	129,645
Wellpoint Health Networks Inc. New Class A Common Stock	N/A	N/A	179,137
Apollo Group Incorporated Class A Common Stock	N/A	N/A	140,595
Danaher Corporation Common Stock	N/A	N/A	152,092
Lockheed Martin Corporation Common Stock	N/A	N/A	110,362
3M Company Common Stock	N/A	N/A	117,372
Affiliated Computer Services Class A Common Stock	N/A	N/A	111,124
Bea Systems Incorporated Common Stock	N/A	N/A	56,465
Cisco Systems Common Stock	N/A	N/A	133,397
Intel Corporation Common Stock	N/A	N/A	128,190
Intuit Incorporated Common Stock	N/A	N/A	100,573
Lexmark International Incorporated New Common Stock	N/A	N/A	117,832
Microsoft Corporation Common Stock	N/A	N/A	125,636
Network Appliance Incorporated Common Stock	N/A	N/A	150,348
Nokia Corporation Common Stock	N/A	N/A	123,143
Oracle Corporation Common Stock	N/A	N/A	114,035
XILINX Incorporated Common Stock	N/A	N/A	115,241
Praxair Incorporated Common Stock	N/A	N/A	118,998
AGL Res Incorporated Common Stock	N/A	N/A	318,000
Abbott Labs Common Stock	N/A	N/A	218,800
American Express Company Common Stock	N/A	N/A	229,955
American International Group, Incorporated Common Stock	N/A	N/A	274,520
Amgen Incorporated Common Stock	N/A	N/A	197,820
Amsouth Bancorporation Common Stock	N/A	N/A	298,116
Aon Corporation Common Stock	N/A	N/A	150,500
Applied Materials Incorporated Common Stock	N/A	N/A	125,928
Automatic Data Processing Incorporated Common Stock	N/A	N/A	233,634
Bank of America Corporation New Common Stock	N/A	N/A	227,211
Biomet Incorporated Common Stock	N/A	N/A	186,550
Burlington Res Common Stock	N/A	N/A	162,210
CVS Corporation Common Stock	N/A	N/A	56,060
Cardinal Health Incorporated Common Stock	N/A	N/A	226,657
Colgate Palmolive Company Common Stock	N/A	N/A	165,157
Conagra Foods Incorporated Common Stock	N/A	N/A	70,800
Conoco Incorporated Common Stock	N/A	N/A	230,653
Du Pont E I De Nemours & Company Common Stock	N/A	N/A	110,346
Duke Energy Corporation Common Stock	N/A	N/A	249,375

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund (continued)

June 30, 2003

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Employees' Pension Trust Fund (continued) -			
Exxon Mobil Corporation Common Stock	N/A	N/A	\$ 215,460
General Electric Company Common Stock	N/A	N/A	272,460
Goodrich Corporation Common Stock	N/A	N/A	210,000
Home Depot, Incorporated Common Stock	N/A	N/A	331,200
Honeywell International Incorporated Common Stock	N/A	N/A	45,645
Intel Corporation Common Stock	N/A	N/A	107,171
International Business Machine Common Stock	N/A	N/A	371,250
Ishares Tr Russell 1000 Value Common Stock	N/A	N/A	290,777
Ishares TR S&P Midcap Value Common Stock	N/A	N/A	288,763
Jefferson Pilot Corporation Common Stock	N/A	N/A	310,950
Johnson and Johnson Common Stock	N/A	N/A	219,725
Kraft Foods Incorporated Common Stock	N/A	N/A	244,125
L3 Communications Holdings Common Stock	N/A	N/A	119,597
Lowe's Companies Incorporated Common Stock	N/A	N/A	98,785
Marsh and McLennan Companies Inc. Common Stock	N/A	N/A	190,236
Medtronic Incorporated Common Stock	N/A	N/A	215,865
Microsoft Corporation Common Stock	N/A	N/A	205,120
S & P 400 Cap Debenture Recpt Unit Series 1	N/A	N/A	241,230
Newell Rubbermaid Incorporated Common Stock	N/A	N/A	133,700
Pepsico Incorporated Common Stock	N/A	N/A	193,575
Pfizer Incorporated Common Stock	N/A	N/A	290,275
Plum Creek Timber Company Inc. Common Stock	N/A	N/A	194,625
Procter & Gamble Company Common Stock	N/A	N/A	234,098
Quest Diagnostics Incorporated Common Stock	N/A	N/A	127,600
Raytheon Company Common Stock	N/A	N/A	246,300
Spdr TR Unit Series 1 Common Stock	N/A	N/A	122,037
Sungard Data Systems, Inc. Common Stock	N/A	N/A	336,830
Sysco Corporation Common Stock	N/A	N/A	111,148
Target Corporation Common Stock	N/A	N/A	140,008
3M Company Common Stock	N/A	N/A	193,470
United Technologies Incorporated Common Stock	N/A	N/A	177,075
Vulcan Materials Company Common Stock	N/A	N/A	139,939
Wal Mart Stores, Incorporated Common Stock	N/A	N/A	214,680
YUM Brands Incorporated Common Stock	N/A	N/A	103,460
Suntrust Retirement Fixed Income Fund	N/A	N/A	530,836
STI Classic Fund - Growth and Income Fund	N/A	N/A	2,274,721
STI Classic Fund - Small Cap Growth Trust Shares	N/A	N/A	1,155,007
STI Classic Fund - International Equity Index Fund Trust Shares	N/A	N/A	105,456
			<u>\$ 42,443,754</u>

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund (continued)

June 30, 2003

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Electric Department Employee Pension Fund -			
Federal Home Loan Bank	6.890 %	04-06-04	\$ 155,766
Federal Home Loan Bank	7.125	02-15-05	156,555
Federal Home Loan Bank	3.050	05-18-06	251,015
Federal Home Loan Bank	2.030	04-15-03	200,250
Federal Home Loan Bank	4.020	11-21-08	149,532
Federal National Mortgage Association	7.400	07-01-04	158,204
Federal National Mortgage Association	6.400	09-27-05	163,392
American General Finance Notes	5.875	12-15-05	268,455
Amsouth Bancorp Sub Deb Notes	7.750	05-15-04	157,404
Bank One Corporation Notes	6.500	02-01-06	109,334
Boeing Capital Corporation Internotes	4.350	10-15-06	151,935
Ford Motor Credit Notes	6.125	01-09-06	103,280
Ford Motor Credit Notes	7.600	08-01-05	53,355
General Motors Acceptance Corporation Notes	6.380	01-30-04	102,260
Household Finance Corporation Notes	6.000	05-01-04	181,050
Household Finance Corporation Notes	5.250	09-15-05	52,036
Household Finance Corporation Notes	7.625	11-15-05	109,362
International Lease Finance Corporation Notes	3.000	11-15-05	115,002
Merrill Lynch & Company Notes	6.375	10-15-08	110,807
Merrill Lynch Global Notes	6.000	11-15-04	157,962
Merrill Lynch Corporation Notes	6.000	02-17-09	107,431
Morgan Stanley Dean Witter	6.100	04-15-06	108,349
Nations Bank Notes	6.375	02-15-08	55,053
Ohio Edison First Mt insured Notes	6.875	04-01-05	160,683
Sears Roebuck Acceptance Notes	6.270	10-18-04	52,077
Suntrust Bank Notes	6.250	06-01-08	278,227
Wachovia Corporation Notes	7.450	07-15-05	55,043
AGL Res Incorporated Common Stock	N/A	N/A	178,230
Abbott Labs Common Stock	N/A	N/A	107,938
American International Group Incorporated Common Stock	N/A	N/A	135,397
Amsouth Bankcorp Common Stock	N/A	N/A	108,350
Applied Materials Incorporated Common Stock	N/A	N/A	58,380
Automatic Data Processing Incorporated Common Stock	N/A	N/A	44,496
Bank of America Corporation New Common Stock	N/A	N/A	61,927
Biomet Incorporated Common Stock	N/A	N/A	59,300
Burlington Res Common Stock	N/A	N/A	92,340
Chevrontexaco Corporation Common Stock	N/A	N/A	21,633
Conocophillips Common Stock	N/A	N/A	98,818
Duke Energy Corporation Common Stock	N/A	N/A	70,200
General Electric Company Common Stock	N/A	N/A	149,310
Goodrich Corporation Common Stock	N/A	N/A	103,500
Home Depot, Incorporated Common Stock	N/A	N/A	109,200

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Investments by Fund (continued)

June 30, 2003

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Electric Department Employee Pension Fund (continued) -			
Intel Corporation Common Stock	N/A	N/A	\$ 99,560
International Business Machines Common Stock	N/A	N/A	60,938
Ishares Tr Russell 1000 Value Common Stock	N/A	N/A	164,062
Ishares TR S & P Midcap Value Common Stock	N/A	N/A	171,750
Jefferson Pilot Corporation Common Stock	N/A	N/A	132,000
Johnson & Johnson Common Stock	N/A	N/A	41,432
Kraft Foods Incorporated Common Stock	N/A	N/A	55,620
L3 Communications Holdings Common Stock	N/A	N/A	49,080
Eli Lilly & Company Common Stock	N/A	N/A	65,840
Medtronic Incorporated Common Stock	N/A	N/A	51,500
Microsoft Corporation Common Stock	N/A	N/A	39,615
Pepsico Incorporated Common Stock	N/A	N/A	23,035
Pfizer Incorporated Common Stock	N/A	N/A	100,080
Plum Creek Timber Company Incorporated Common Stock	N/A	N/A	81,480
Procter & Gamble Company Incorporated Common Stock	N/A	N/A	87,870
Raytheon Company Common Stock	N/A	N/A	58,330
Sungard Data Systems, Inc. Common Stock	N/A	N/A	131,200
Sysco Corporation Common Stock	N/A	N/A	45,195
Wal Mart Stores Incorporated Common Stock	N/A	N/A	134,184
Federated Government Ultrashort Duration Fund	N/A	N/A	250,000
			<u>\$ 6,965,609</u>
Evergreen Cemetery Commission -			
Federal Home Loan Bank	3.050 %	05-18-06	\$ 50,360
Federal Home Loan Bank	5.250	09-12-06	75,586
Federal Home Loan Bank	3.000	01-29-07	50,235
Federal Home Loan Bank	4.020	11-21-08	50,188
Federal Home Loan Bank	5.000	07-12-06	77,227
Federal Home Loan Bank	5.050	04-26-06	77,414
Federal Home Loan Bank	3.000	09-12-07	50,140
Federal National Mortgage Association	5.020	09-12-05	75,633
Aon Corporation	6.300	01-15-04	28,677
Bank One Corporation	6.500	02-01-06	55,505
Boeing Cap Corporation	4.350	10-15-06	25,750
Citicorp	7.125	01-09-06	56,785
Ford Motor Credit	6.125	01-09-06	51,940
General Motors Acceptance Corporation	4.500	08-15-04	50,885
Merrill Lynch & Company	7.375	05-15-06	56,689
Merrill Lynch Global	6.000	11-15-04	52,976
Morgan Stanley DW	6.100	04-15-06	55,045
NationsBank	6.375	02-15-08	57,259
Sears Roebuck	3.300	06-15-06	24,726
Wachovia Corporation	6.250	08-04-08	34,781
Federated Prime Obligation Fund	N/A	N/A	182,382
			<u>\$ 1,240,183</u>
Total Investments			<u>\$ 50,649,546</u>

CITY OF MURFREESBORO, TENNESSEE

Schedule of Property Taxes Receivable

Year Ended June 30, 2003

<u>Year of Levy</u>	<u>Property Taxes Receivable</u>	<u>Allowance for Uncollectible Taxes</u>	<u>Net Amount</u>
1993	\$ 19,787	\$ 19,787	
1994	19,844	19,844	
1995	23,138	23,138	
1996	30,933	30,933	
1997	30,993	30,993	
1998	25,559	25,559	
1999	49,185	49,185	
2000	110,493	110,493	
2001	223,868	223,868	
2002	842,772	468,690	\$ 374,082
2003	<u>24,673,120</u>	<u>476,969</u>	<u>24,196,151</u>
	\$ 26,049,692	\$ 1,479,459	\$ 24,570,233
Less: Partial payments received	<u>26,029</u>		<u>26,029</u>
	<u>\$ 26,023,663</u>	<u>\$ 1,479,459</u>	<u>\$ 24,544,204</u>

CITY OF MURFREESBORO, TENNESSEE

Schedule of Debt Service Requirements by Fiscal Year

June 30, 2003

<u>Fiscal Year Ended June 30,</u>	<u>Issue</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
General Long-Term Debt -					
2004	General Improvement Refunding	4.75	\$ 2,700,000	\$ 191,180	\$ 2,891,180
2005	Bonds, Series 1993	4.80	1,815,000	83,495	1,898,495
2006		4.90	815,000	19,968	834,968
			<u>\$ 5,330,000</u>	<u>\$ 294,643</u>	<u>\$ 5,624,643</u>
2004	General Improvement Bonds,	5.00	\$ 1,080,000	\$ 367,855	\$ 1,447,855
2005	Series 1993	5.50	1,135,000	309,642	1,444,642
2006		5.20	1,190,000	247,490	1,437,490
2007		5.40	1,250,000	182,800	1,432,800
2008		5.50	1,310,000	113,025	1,423,025
2009		5.60	1,375,000	38,500	1,413,500
			<u>\$ 7,340,000</u>	<u>\$ 1,259,312</u>	<u>\$ 8,599,312</u>
2004	Tennessee Municipal Bond Fund		\$ 342,900	\$ 40,964	\$ 383,864
2005	Loan (1)		366,900	35,136	402,036
2006			392,500	28,899	421,399
2007			420,000	22,227	442,227
2008			449,400	15,087	464,487
2009			480,800	7,448	488,248
			<u>\$ 2,452,500</u>	<u>\$ 149,761</u>	<u>\$ 2,602,261</u>
2004	Tennessee Municipal Bond Fund		\$ 1,625,000	\$ 243,979	\$ 1,868,979
2005	Loan (2)		1,710,000	218,029	1,928,029
2006			1,805,000	190,714	1,995,714
2007			1,905,000	161,882	2,066,882
2008			2,010,000	131,453	2,141,453
2009			2,120,000	99,349	2,219,349
2010			2,235,000	65,488	2,300,488
2011			2,070,000	30,170	2,100,170
			<u>\$ 15,480,000</u>	<u>\$ 1,141,064</u>	<u>\$ 16,621,064</u>

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Debt Service Requirements by Fiscal Year (continued)

June 30, 2003

<u>Fiscal Year Ended June 30,</u>	<u>Issue</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
General Long-Term Debt (continued) -					
2004	Tennessee Municipal Bond Fund		\$ 255,000	\$ 58,809	\$ 313,809
2005	Loan (3)		268,000	54,865	322,865
2006			281,000	50,721	331,721
2007			295,000	46,376	341,376
2008			310,000	41,814	351,814
2009			325,000	37,020	362,020
2010			342,000	31,994	373,994
2011			359,000	26,705	385,705
2012			376,000	21,154	397,154
2013			395,000	15,340	410,340
2014			415,000	9,231	424,231
2015			219,000	3,091	222,091
			<u>\$ 3,840,000</u>	<u>\$ 397,120</u>	<u>\$ 4,237,120</u>
2004	Tennessee Municipal Bond Fund		\$ 1,911,398	\$ 254,499	\$ 2,165,897
2005	Loan (3)		1,323,034	225,819	1,548,853
2006			1,389,239	205,359	1,594,598
2007			1,458,633	183,876	1,642,509
2008			1,531,551	161,319	1,692,870
2009			1,608,156	137,635	1,745,791
2010			1,688,628	112,766	1,801,394
2011			1,773,026	86,653	1,859,679
2012			1,861,656	59,235	1,920,891
2013			1,954,715	30,446	1,985,161
2014			185,186	2,614	187,800
			<u>\$ 16,685,222</u>	<u>\$ 1,460,221</u>	<u>\$ 18,145,443</u>
2004	Tennessee Municipal Bond Fund		\$ 3,273,243	\$ 280,714	\$ 3,553,957
2005	Loan (4)		2,432,352	232,987	2,665,339
2006			2,529,487	196,624	2,726,111
2007			2,630,499	158,809	2,789,308
2008			2,285,311	120,044	2,405,355
2009			2,376,724	85,879	2,462,603
2010			2,471,793	50,348	2,522,141
2011			1,113,233	15,205	1,128,438
			<u>\$ 19,112,642</u>	<u>\$ 1,140,610</u>	<u>\$ 20,253,252</u>
2004	Tennessee Municipal Bond Fund		\$ 2,534,300	\$ 299,979	\$ 2,834,279
2005	Loan (3)		2,635,420	260,821	2,896,241
2006			2,740,580	220,100	2,960,680
2007			2,001,790	178,843	2,180,633
2008			2,081,660	147,913	2,229,573
2009			2,164,710	115,749	2,280,459
2010			2,251,090	82,302	2,333,392
2011			2,340,900	47,520	2,388,420
2012			939,870	13,268	953,138
			<u>\$ 19,690,320</u>	<u>\$ 1,366,495</u>	<u>\$ 21,056,815</u>
(Continued)					

CITY OF MURFREESBORO, TENNESSEE

Schedule of Debt Service Requirements by Fiscal Year (continued)

June 30, 2003

Fiscal Year Ended June 30,	Issue	Interest Rate	Principal	Interest	Total Principal and Interest
General Long-Term Debt (continued) -					
2004	Tennessee Municipal Bond Fund		\$ 532,000	\$ 18,152	\$ 550,152
2005	Loan (5)		559,000	12,543	571,543
2006			577,000	6,658	583,658
2007			105,135	1,012	106,147
			<u>\$ 1,773,135</u>	<u>\$ 38,365</u>	<u>\$ 1,811,500</u>
Total General Long-Term Debt			<u>\$ 91,703,819</u>	<u>\$ 7,247,591</u>	<u>\$ 98,951,410</u>
Murfreesboro Water and Sewer -					
2004	Water and Sewer Revenue and	6.80	\$ 125,000	\$ 23,430	\$ 148,430
2005	Tax Bonds, Series 1990	6.85	135,000	14,556	149,556
2006		6.85	145,000	4,966	149,966
			<u>\$ 405,000</u>	<u>\$ 42,952</u>	<u>\$ 447,952</u>
2004	Water and Sewer System	5.00	\$ 135,000	\$ 46,940	\$ 181,940
2005	Revenue and Tax Bonds,	5.50	145,000	39,578	184,578
2006	Series 1993	5.20	150,000	31,690	181,690
2007		5.40	160,000	23,470	183,470
2008		5.50	170,000	14,475	184,475
2009		5.60	175,000	4,900	179,900
			<u>\$ 935,000</u>	<u>\$ 161,053</u>	<u>\$ 1,096,053</u>
2004	Tennessee Municipal Bond Fund (6)		\$ 552,425	\$ 39,879	\$ 592,304
2005			574,437	32,452	606,889
2006			597,324	24,729	622,053
2007			621,125	16,698	637,823
2008			395,175	8,627	403,802
2009			281,583	3,459	285,042
			<u>\$ 3,022,069</u>	<u>\$ 125,844</u>	<u>\$ 3,147,913</u>
2004	State Revolving Loan (8)		\$ 1,973,100	\$ 2,172,264	\$ 4,145,364
2005			2,058,408	2,086,956	4,145,364
2006			2,147,400	1,997,964	4,145,364
2007			2,240,244	1,905,120	4,145,364
2008			2,337,096	1,808,268	4,145,364
2009			2,438,137	1,707,227	4,145,364
2010			2,543,546	1,601,818	4,145,364
2011			2,653,514	1,491,850	4,145,364
2012			2,768,234	1,377,130	4,145,364
2013			2,887,916	1,257,448	4,145,364
2014			3,012,772	1,132,592	4,145,364
2015			3,143,024	1,002,340	4,145,364
2016			3,278,910	866,454	4,145,364
2017			3,420,669	724,695	4,145,364
2018			3,568,558	576,806	4,145,364
2019			3,722,839	422,525	4,145,364
2020			3,883,792	261,572	4,145,364
2021			4,018,788	126,576	4,145,364
2022			794,346	4,403	798,749
			<u>\$ 52,891,293</u>	<u>\$ 22,524,008</u>	<u>\$ 75,415,301</u>
Total Murfreesboro Water and Sewer			<u>\$ 57,253,362</u>	<u>\$ 22,853,857</u>	<u>\$ 80,107,219</u>

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Debt Service Requirements by Fiscal Year (continued)

June 30, 2003

<u>Fiscal Year Ended June 30,</u>	<u>Issue</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
Murfreesboro Electric Department -					
2004	Electric System Revenue Bonds	5.15	\$ 240,000	\$ 106,148	\$ 346,148
2005	Series 1995	5.25	250,000	93,788	343,788
2006		5.25	265,000	80,663	345,663
2007		5.38	280,000	66,750	346,750
2008		5.50	295,000	51,700	346,700
2009		5.50	315,000	35,475	350,475
2010		5.50	330,000	18,150	348,150
			<u>\$ 1,975,000</u>	<u>\$ 452,674</u>	<u>\$ 2,427,674</u>
2004	Electric System Revenue Bonds	4.50	\$ 570,000	\$ 221,623	\$ 791,623
2005	Series 1999	4.50	600,000	195,973	795,973
2006		4.40	620,000	168,973	788,973
2007		4.50	645,000	141,693	786,693
2008		4.60	285,000	112,667	397,667
2009		4.70	300,000	99,558	399,558
2010		4.80	315,000	85,458	400,458
2011		4.88	330,000	70,338	400,338
2012		5.00	345,000	54,250	399,250
2013		5.00	360,000	37,000	397,000
2014		5.00	380,000	19,000	399,000
			<u>\$ 4,750,000</u>	<u>\$ 1,206,533</u>	<u>\$ 5,956,533</u>
2004	Tennessee Municipal Bond Fund (7)		\$ 294,000	\$ 162,300	\$ 456,300
2005			309,000	147,600	456,600
2006			325,000	132,150	457,150
2007			341,000	115,900	456,900
2008			358,000	98,850	456,850
2009			376,000	80,950	456,950
2010			394,000	62,150	456,150
2011			414,000	42,450	456,450
2012			433,827	21,750	455,577
			<u>\$ 3,244,827</u>	<u>\$ 864,100</u>	<u>\$ 4,108,927</u>
Total Murfreesboro Electric Department			<u>\$ 9,969,827</u>	<u>\$ 2,523,307</u>	<u>\$ 12,493,134</u>
Total Indebtedness			<u>\$ 158,927,008</u>	<u>\$ 32,624,755</u>	<u>\$ 191,551,763</u>

(Continued)

- Notes: (1) Interest payments are subject to fluctuation since interest is accrued based on an adjustable rate. For purposes of this schedule, an interest rate of 1.69% was used which was the rate in effect at June 30, 2003.
- (2) Interest payments are subject to fluctuation since interest is accrued based on an adjustable rate. For purposes of this schedule, an interest rate of 1.59% was used which was the rate in effect at June 30, 2003.
- (3) Interest payments are subject to fluctuation since interest is accrued based on an adjustable rate. For purposes of this schedule, an interest rate of 1.54% was used which was the rate in effect at June 30, 2003.
- (4) Interest payments are subject to fluctuation since interest is accrued based on an adjustable rate. For purposes of this schedule, an interest rate of 1.49% was used which was the rate in effect at June 30, 2003.

CITY OF MURFREESBORO, TENNESSEE

Schedule of Debt Service Requirements by Fiscal Year (continued)

June 30, 2003

<u>Fiscal Year</u> <u>Ended</u> <u>June 30,</u>	<u>Issue</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Principal and</u> <u>Interest</u>
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- (5) Interest payments are subject to fluctuaction since interest is accrued based on an adjustable rate. For purposes of this schedule, an interest rate of 1.05% was used which was the rate in effect at June 30, 2003.
- (6) Interest payments are subject to fluctuaction since interest is accrued based on an adjustable rate. For purposes of this schedule, an interest rate of 1.34% was used which was the rate in effect at June 30, 2003.
- (7) Interest payments are subject to fluctuaction since interest is accrued based on an adjustable rate. For purposes of this schedule, an interest rate of .69% was used which was the rate in effect at June 30, 2003.
- (8) Interest payments are subject to fluctuaction since interest is accrued based on an adjustable rate ranging from 4.24% to 4.28% per annum. For purposes of this schedule, an interest rate of 4.24% was used.

CITY OF MURFREESBORO, TENNESSEE

Schedule of Interfund Transfers - All Funds

June 30, 2003

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	General Purpose School Fund	\$ 4,510,000
	City Recreation Fund	3,780,279
	Senior Citizens Fund	272,094
	Solid Waste Fund	2,758,855
	Debt Service Fund	14,492,169
	Airport	4,543
	Old Fort Golf Course	10,000
	Drug Fund	117,435
State Street Aid Fund	Debt Service Fund	300,000
Airport Fund	Debt Service Fund	50,000
TML Loans	Debt Service Fund	89,825
Commerce Park Fund	Debt Service Fund	3,663,496
Capital Improvements Fund	General Purpose School Fund	939,424
Community Development	Senior Citizens	6,000
Perpetual Care Cemetary Fund	Evergreen Cemetery Fund	57,614
Extended School Program	General Purpose School Fund	30,000
		<u>\$ 31,081,734</u>

STATISTICAL SECTION
(UNAUDITED)

CITY OF MURFREESBORO, TENNESSEE

General Governmental Revenues By Source (Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Property Taxes</u>	<u>Other Local Taxes</u>	<u>Licenses, Permits and Fines</u>	<u>Inter- Governmental</u>	<u>Charges for Services</u>	<u>Interest</u>	<u>Other</u>	<u>Total</u>
1994	\$ 13,881,932	\$ 9,841,595	\$ 1,002,849	\$ 23,871,463	\$ 2,701,420	\$ 354,868	\$ 1,527,497	\$ 53,181,624
1995	15,925,759	11,435,273	1,201,535	26,913,913	2,929,644	348,731	1,739,945	60,494,800
1996	16,607,630	12,556,427	1,551,696	29,407,396	3,014,733	279,474	2,011,823	65,429,179
1997	17,321,428	13,920,313	1,571,570	33,405,356	3,297,966	241,626	2,377,867	72,136,126
1998	18,431,102	15,142,595	2,070,388	34,360,719	4,258,889	231,787	3,698,316	78,193,796
1999	20,165,648	16,934,294	2,178,165	36,820,271	4,419,553	746,365	3,534,200	84,798,496
2000	21,922,224	18,260,991	2,626,750	42,037,954	4,574,013	1,172,562	6,496,196	97,090,690
2001	22,793,606	21,316,800	3,039,720	44,456,365	4,365,681	1,461,883	4,528,696	101,962,751
2002	24,355,979	21,084,654	3,697,069	43,131,242	5,554,663	809,012	7,630,870	106,263,489
2003	25,478,328	22,245,800	3,887,346	44,206,914	5,397,770	587,604	4,072,410	105,876,172

Source: Current year and prior years combined financial statements.

Note: General governmental revenues include the revenues of governmental funds.

CITY OF MURFREESBORO, TENNESSEE

General Governmental Expenditures By Function (Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Administrative and General</u>	<u>Police and Fire Protection</u>	<u>Legal and Judicial</u>	<u>Public Works</u>	<u>Education</u>	<u>Recreation</u>	<u>Community Development</u>	<u>Other</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>
1994	\$ 4,813,974	\$ 8,366,171	\$ 403,665	\$ 6,411,162	\$ 21,055,387	\$ 2,790,667	\$ 706,949	\$ 1,463,826	\$ 5,710,126	\$ 6,495,755	\$ 58,217,682
1995	4,880,189	8,692,802	424,184	7,878,799	24,637,966	3,116,360	589,573	2,587,298	6,340,392	7,543,401	66,690,964
1996	5,310,649	9,628,991	493,016	7,247,142	25,356,817	3,732,271	539,568	3,667,007	6,235,298	7,686,356	69,897,115
1997	5,915,725	11,120,773	459,229	8,256,218	26,518,791	4,114,425	786,535	2,717,360	14,518,678	7,942,819	82,350,553
1998	6,615,085	11,703,446	530,931	9,968,643	27,814,264	4,752,308	1,290,448	2,466,947	13,374,190	8,761,244	87,277,506
1999	7,011,727	12,969,965	548,548	8,307,045	30,434,359	5,175,392	592,782	2,250,307	22,949,255	10,324,668	100,564,048
2000	7,749,888	14,665,031	601,271	12,121,410	32,542,947	5,230,224	671,462	2,152,009	16,207,145	14,393,012	106,334,399
2001	8,709,582	15,119,186	639,489	12,021,050	35,468,288	5,552,647	1,042,530	2,124,200	13,851,250	14,101,397	108,629,619
2002	9,485,317	15,744,872	723,064	9,287,627	36,782,935	5,907,853	732,989	* 5,050,479	22,807,323	14,039,993	120,562,452
2003	10,451,393	16,523,491	635,226	10,538,448	37,854,844	5,902,100	700,350	5,976,920	21,495,444	18,616,334	128,694,550

Source: Current year and prior years combined financial statements.

Note: General governmental expenditures include the expenditures of governmental funds.

Certain reclassifications have been made to expenditures by function in order to conform to GASB 34 in the fiscal year ended 2002.

* Included in other expense for 2002 and 2003 are food service expenses of \$2,006,462 and \$2,092,591 respectively, which were not included in this expenditure function in years prior to 2002.

CITY OF MURFREESBORO, TENNESSEE

Property Tax Levies and Collections (Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes (1)</u>	<u>Outstanding Delinquent Taxes as Percent of Current Levy</u>
1994	\$ 12,374,408	\$ 11,918,268	96.31 %	932,154	\$ 12,850,422	103.85 %	\$ 853,942	6.90 %
1995	14,482,626	13,993,511	96.62	321,610	14,315,121	98.84	858,182	5.93
1996	15,083,508	14,702,971	97.48	364,461	15,067,432	99.89	875,456	5.80
1997	15,559,449	14,927,830	95.94	481,923	15,409,753	99.04	1,031,871	6.63
1998	16,788,096	16,481,701	98.17	642,785	17,124,486	102.00	740,233	4.41
1999	18,551,678	18,114,001	97.64	327,874	18,441,875	99.41	909,757	4.90
2000	20,059,353	19,418,410	96.80	472,336	19,890,746	99.16	1,165,290	5.81
2001	21,294,122	20,459,065	96.08	645,045	21,104,110	99.11	1,408,585	6.61
2002	22,268,457	21,510,561	96.60	822,096	22,332,657	100.29	1,372,325	6.16
2003	23,434,512	22,586,197	96.38	807,134	23,393,331	99.82	1,376,572	5.87

Source: City of Murfreesboro Tax Department

(1) Outstanding delinquent taxes for the fiscal years June 30, 1994 through June 30, 2002 have been filed with the chancery court of Rutherford County.

CITY OF MURFREESBORO, TENNESSEE

Assessed Value and Estimated Actual Value of Taxable Property (Unaudited)

Last Ten Fiscal Years

Year Ended June 30,	Tax Rate (1)	Assessed Valuation			Total Estimated Actual Value	Ratio of Assessed Value to Estimated Actual Value
		Property	Public Utilities	Total		
1994	\$ 2.29	\$ 517,519,552	\$ 22,846,851	\$ 540,366,403	\$ 1,709,843,027	31.6%
1995	2.30	603,318,781	26,424,941	629,743,722	1,982,063,096	31.8%
1996	2.28	633,893,912	27,656,528	661,550,440	2,091,681,990	31.6%
1997	2.26	664,514,705	23,956,476	688,471,181	2,178,706,269	31.6%
1998	2.26	719,584,419	23,251,665	742,836,084	2,350,747,101	31.6%
1999	1.90	947,477,835	28,926,341	976,404,176	3,089,886,633	31.6%
2000	1.90	1,024,583,966	31,149,479	1,055,733,445	3,379,155,672	31.2%
2001	1.90	1,087,344,584	33,371,877	1,120,716,461	3,623,256,503	30.9%
2002	1.90	1,137,883,832	34,117,576	1,172,001,408	3,804,249,039	30.8%
2003	1.72	1,322,192,474	40,258,926	1,362,451,400	4,385,931,670	31.1%

(1) Per \$100 of assessed value.

Source: City of Murfreesboro Tax Department

CITY OF MURFREESBORO, TENNESSEE

Property Tax Rates and Levies - Direct and Overlapping Governments (Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Tax Rate Per \$100 Assessed Value			Tax Levies		
	City	County	Total	City	County	Total
1994	\$ 2.29	\$ 3.39	\$ 5.68	\$ 12,374,408	\$ 18,318,421	\$ 30,692,829
1995	2.30	2.97	5.27	14,482,626	18,703,389	33,186,015
1996	2.28	3.15	5.43	15,083,508	20,838,839	35,922,347
1997	2.26	3.30	5.56	15,559,449	22,719,549	38,278,998
1998	2.26	3.37	5.63	16,788,096	25,033,576	41,821,672
1999	1.90	2.78	4.68	18,551,678	27,144,036	45,695,714
2000	1.90	2.78	4.68	20,059,353	29,349,390	49,408,743
2001	1.90	2.78	4.68	21,294,122	31,155,918	52,450,040
2002	1.90	2.78	4.68	22,268,457	32,581,639	54,850,096
2003	1.72	2.51	4.23	23,434,512	34,197,530	57,632,042

Source: City of Murfreesboro Tax Department

CITY OF MURFREESBORO, TENNESSEE

Ratio of Net General Bonded Debt to Assessed Value
and Net Bonded Debt Per Capita (Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Estimated Population (1)</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt</u>	<u>Less Debt Service Fund</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Capita</u>
1994	46,920	\$ 540,366,403	\$ 59,260,000	\$ 239,900	\$ 59,020,100	10.92 %	\$ 1,257.89
1995	49,631	629,743,722	54,505,000	214,520	54,290,480	8.62	1,093.88
1996	52,341	661,550,440	49,705,000	223,602	49,481,398	7.48	945.37
1997	55,000	688,471,181	44,665,000	177,732	44,487,268	6.46	808.86
1998	59,506	742,836,084	39,385,000	201,047	39,183,953	5.27	658.49
1999	62,000	976,404,176	33,840,000	392,101	33,447,899	3.43	539.48
2000	68,816	1,055,733,445	25,375,000	1,637,060	23,737,940	2.25	344.95
2001	72,414	1,120,716,461	21,170,000	1,940,948	19,229,052	1.72	265.54
2002	76,012	1,172,001,408	16,770,000	3,048,805	13,721,195	1.17	180.51
2003	75,083	1,362,451,400	12,670,000	3,101,068	9,568,932	0.70	127.44

Note:

(1) Special Census conducted 1994, 1996, 1998 and 2003, federal census conducted 2000, others are estimated.

(2) The State of Tennessee has not mandated a legal debt margin requirement for municipalities.

Therefore, a schedule of the computation of the legal debt margin is not applicable.

CITY OF MURFREESBORO, TENNESSEE

Ratio of Annual Debt Service
For General Bonded Debt to Total General Expenditures (Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Total Debt Service</u>	<u>Total General Expenditures (1)</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
1994	\$ 6,495,755	\$ 58,217,682	11.2 %
1995	7,543,401	66,690,964	11.3
1996	7,686,356	69,897,115	11.0
1997	7,942,819	82,350,553	9.6
1998	8,761,244	87,277,506	10.0
1999	10,324,668	100,564,048	10.3
2000	14,393,012	106,334,399	13.5
2001	14,101,397	108,629,719	13.0
2002	14,039,993	120,562,452	11.6
2003	18,616,334	128,694,550	14.5

Source: Current year and prior years combined financial statements.

Note:

(1) Total general expenditures include the expenditures of all governmental fund types.

CITY OF MURFREESBORO, TENNESSEE

Computation of Direct and Estimated Overlapping Bonded Debt
Payable from Ad Valorem Taxes (Unaudited)

June 30, 2003

<u>Taxing Jurisdiction</u>	<u>Net General Bonded Debt (1)</u>	<u>Estimated Percent Applicable</u>	<u>Direct and Overlapping Bonded Debt</u>
City of Murfreesboro	\$ 12,670,000	100.00%	\$ 12,670,000
Rutherford County (2)	247,630,000	38.52%	<u>95,387,076</u>
Total direct and estimated overlapping bonded debt			<u>\$ 108,057,076</u>
Ratio, direct and estimated overlapping debt to 2002 assessed valuation (3)			<u>7.93%</u>
Per capita direct and estimated overlapping bonded debt (4)			<u>\$ 1,439</u>

(1) As of June 30, 2003.

(2) Source: Rutherford County Comprehensive Annual Financial Report, June 30, 2003, Table 11.

(3) Based upon 2002 Taxable Assessed Valuation of \$1,362,451,400.

(4) Based upon estimated population of 75,083.

CITY OF MURFREESBORO, TENNESSEE

Revenue Bond Coverage (Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Gross Revenues (1)</u>	<u>Net Operating Expenses (2)</u>	<u>Net Revenues Available for Debt Service</u>	<u>Debt Service Requirement (3)</u>	<u>Times Coverage</u>
Water and Sewer -					
1994	\$ 12,865,756	\$ 6,060,752	\$ 6,805,004	\$ 2,091,358	3.25
1995	13,011,104	6,540,011	6,471,093	2,029,048	3.19
1996	14,307,118	6,855,183	7,451,935	1,871,832	3.98
1997	15,003,364	7,466,242	7,537,122	1,882,386	4.00
1998	15,735,084	7,978,516	7,756,568	1,882,840	4.12
1999	17,008,794	8,534,714	8,474,080	1,887,761	4.49
2000	17,615,689	9,320,737	8,294,952	1,891,020	4.39
2001	17,497,224	9,875,658	7,621,566	331,933	22.96
2002	17,934,536	9,899,664	8,034,872	333,785	24.07
2003	18,421,275	10,901,787	7,519,488	330,061	22.78
Electric Department -					
1994	\$ 46,997,440	\$ 43,304,288	\$ 3,693,152	\$ 436,347	8.46
1995	48,262,085	44,536,553	3,725,532	478,211	7.79
1996	53,012,767	49,100,553	3,912,214	753,237	5.19
1997	53,142,643	48,784,924	4,357,719	749,973	5.81
1998	59,111,205	54,794,789	4,316,416	753,990	5.72
1999	62,671,072	58,040,874	4,630,198	752,902	6.15
2000	64,378,477	59,625,745	4,752,732	1,281,571	3.71
2001	68,260,667	62,610,100	5,650,567	1,266,556	4.46
2002	67,984,679	62,924,428	5,060,251	1,143,371	4.43
2003	73,136,230	67,912,598	5,223,632	1,138,771	4.59

Source: Current year and prior years combined financial statements.

Notes:

- (1) Includes operating and nonoperating revenues.
- (2) Includes operating expenses minus depreciation and amortization.
- (3) Includes principal and interest of revenue bonds only.

CITY OF MURFREESBORO, TENNESSEE

Demographic Statistics (Unaudited)

Last Ten Fiscal Years

<u>Fiscal Year Ended June 30,</u>	<u>Population (1)</u>	<u>Per Capita Income (2)</u>	<u>Unemployment Rate (2)</u>
1994	46,920	\$ 20,309	4.30 %
1995	49,631	21,260	3.30
1996	52,341	22,041	3.60
1997	55,000	22,606	3.40
1998	59,506	23,436	3.80
1999	62,000	23,948	2.60
2000	68,816	25,716	2.50
2001	72,414	26,230	2.90
2002	76,012	26,472	3.70
2003	75,083	26,565	4.30

Notes:

(1) Special Census conducted 1994, 1996, 1998, and 2003 and Federal Census conducted 2000, others are estimated

(2) Source: University of Tennessee, Center for Business & Economic Research, Tennessee Department of Education. These figures represent the entire County of which Murfreesboro is a part.

CITY OF MURFREESBORO, TENNESSEE

Property Value, Construction and Bank Deposits (Unaudited)

Last Ten Fiscal Years

Fiscal Year Ended June 30,	Non-Residential Construction Value (1)	Residential Construction (1)		Bank Deposits (2)	Total Taxable Assessed Value (3)
		Units	Value		
1994	\$ 40,558,445	634	\$ 46,569,515	\$ 768,101,000	\$ 540,366,403
1995	28,636,373	892	64,225,148	869,580,000	629,743,722
1996	100,942,971	2,241	139,556,344	917,600,000	661,550,440
1997	88,574,145	1,200	92,251,621	1,041,341,600	688,471,181
1998	88,747,506	722	67,892,203	1,079,988,000	742,836,084
1999	69,355,913	1,689	127,088,851	1,159,892,000	976,404,176
2000	100,529,467	1,774	122,203,582	1,224,854,000	1,055,733,445
2001	67,636,884	1,710	141,779,641	1,238,039,000	1,120,716,461
2002	57,770,219	1,191	117,448,803	1,295,977,000	1,172,001,408
2003	37,073,456	1,598	167,906,154	1,387,147,000	1,362,451,400

(1) Source: Murfreesboro Building and Codes Department and the Rutherford County Chamber of Commerce.

(2) Data is as of June 30 each year for branches of all depository institutions located within the City of Murfreesboro.

Source: Federal Deposit Insurance Corporation website: www2.fdic.gov.

(3) Source: City of Murfreesboro tax department.

CITY OF MURFREESBORO, TENNESSEE

Principal Taxpayers (Unaudited)

June 30, 2003

<u>Taxpayer</u>	<u>2002 Assessed Valuation</u>	<u>% of Total Assessed Valuation</u>
General Mills Operations	\$ 24,126,720	1.77 %
Bellsouth Telecommunications	14,231,614	1.04
Stones River LLC	11,445,240	0.84
State Farm Mutual Auto Insurance	10,187,413	0.75
Middle Tennessee Electric Membership	10,016,052	0.74
Tennex Industries	8,940,334	0.66
Buford Throneberry	8,788,135	0.65
Boston Capital University	7,406,520	0.54
NHR/OP LP	7,047,560	0.52
Chelsea Place Limited	6,657,120	0.49
	<u>\$ 108,846,708</u>	<u>8.00 %</u>

Source: City of Murfreesboro tax department.

CITY OF MURFREESBORO, TENNESSEE

Salaries of Principal City Officials and Amounts
Of Fidelity Bonds - (Unaudited)

Year Ended June 30, 2003

<u>Name of Official</u>	<u>Position</u>	<u>Salary</u>	<u>Fidelity Bond</u>
Tommy Bragg	Mayor	\$ 12,000	\$ 10,000
Chris Bratcher	Councilperson	9,948	10,000
Doug Young	Councilperson	9,948	10,000
Beth O'Brien	Councilperson	9,948	10,000
Bill Schacklett	Councilperson	9,948	10,000
Tolbert Gilley, III	Councilperson	9,948	10,000
Ronald Washington	Councilperson	9,948	10,000
Roger G. Haley	City Manager	103,211	10,000
James B. Penner	City Recorder	82,769	500,000
Susan McGannon	City Attorney	102,500	10,000
Sherry Carpenter	City Treasurer	82,769	500,000
Ewing Sellers	City Judge	35,978	10,000
Marilyn Mathis	City Schools Superintendent	93,000	75,000

Source - City of Murfreesboro

Note - The water and sewer department has a fidelity bond with a maximum limit of \$10,000 per employee and the electric department with a maximum limit of \$250,000 per employee. The City has a fidelity bond with a maximum limit of \$50,000 per employee involved in the direct handling of cash.

CITY OF MURFREESBORO, TENNESSEE

Schedule of Insurance Coverage (Unaudited)

Year Ended June 30, 2003

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
<u>All City Departments Excluding Murfreesboro Electric Department -</u>	
Fire and Extended Coverage, Vandalism, and Malicious Mischief- Various City buildings and contents - \$100,000 deductible	\$213,491,434
Umbrella Liability	Self-insured
Comprehensive General Liability- Bodily injury and property damage	Self-insured
Automobile Liability- Bodily injury and property damage	Self-insured
Worker's compensation- Employer's liability	Self-insured
Law Enforcement Liability (in Excess of Retained Limit of \$10,000)	1,000,000
Steam Boiler and Machinery - \$5,000 deductible	25,000,000
Airport -	
General liability	5,000,000
Fire damage - general liability	50,000
Ground hangarkeepers - general liability - \$1,000 deductible	500,000/3,000,000
<u>Murfreesboro Electric Department -</u>	
Fire and Extended Coverage	
Building - 205 North Walnut Street	\$ 1,440,000
Contents - 205 North Walnut Street	1,435,000
Warehouse - Corner of W. College and Front Streets	175,200
Inventory - North Front Street	215,000

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Insurance Coverage (Unaudited) (continued)

Year Ended June 30, 2003

<u>Type of Coverage</u>	<u>Amount of Coverage</u>
<u>Murfreesboro Electric Department – (continued)</u>	
Electronic equipment and data processing	1,227,527
Contractor's equipment	643,154
Communications/radio equipment	62,811
Substations	
Bridge Avenue	\$4,415,000
South Church	1,225,000
Dill Lane	1,940,000
Pitts Lane	1,225,000
Jones Blvd.	1,225,000
Dill Lane and Mercury Blvd.	3,363,000
Butler Drive	2,123,000
Thompson Lane	2,123,000
Fleet Automobile and Truck	
Liability – Bodily injury and property damage	\$1,000,000
Comprehensive	Stated Cash Values
Uninsured motorist (per accident)	\$1,000,000
Auto physical damage - All automobiles	Stated Cash Values
General Liability	
Bodily injury/Property damage	
Per occurrence	\$ 1,000,000
Aggregate	3,000,000
Worker's Compensation	
Murfreesboro Electric Department is covered under the City of Murfreesboro's self-insurance program for workmen's compensation.	
Commercial Crime	
Employee dishonesty	\$ 250,000
Theft, disappearance, destruction	250,000
Umbrella Policy	\$ 3,000,000
Director and Officer Liability	\$ 1,000,000

CITY OF MURFREESBORO, TENNESSEE

Schedule of Customers and Rate Structure (Unaudited)

Year Ended June 30, 2003

Murfreesboro Water and Sewer Department

As of June 30, 2003, Murfreesboro Water and Sewer Department serves approximately 22,718 customers and had the following rate structure in place:

Water:

\$2.29 per 100 cubic feet of consumption (\$.0229 per cubic foot)

The following minimum monthly water charges apply:

<u>Meter Size</u>	<u>Charge</u>	<u>Allowance</u>
5/8"	\$ 6.87	300 cubic feet
1"	16.03	700 cubic feet
1-1/2"	34.35	1,500 cubic feet
2"	54.96	2,400 cubic feet
3"	137.40	6,000 cubic feet
4"	274.80	12,000 cubic feet
6"	572.50	25,000 cubic feet

Sewer:

85% of the above water rates is charged for sewerage service fee plus \$.0070 per cubic foot is charged for operation and maintenance fee.

Murfreesboro Electric Department

As of June 30, 2003, Murfreesboro Electric Department serves approximately 39,000 customers and had the following rate structure in place:

Residential:

Customer Charge - \$6.00 per month (also minimum bill)

Energy Charge - \$.05949 per KWH up to 800 KWH, \$.05314 over 800 KWH

Commercial:

General Power (GSA)

(1) Not more than 50 KWD (KWH not over 15,000)

Customer Charge	\$12.50
Energy Charge	\$.06179 per KWH

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Customers and Rate Structure (Unaudited) (continued)

Year Ended June 30, 2003

Murfreesboro Electric Department (continued)

Commercial (continued):

- (2) Greater than 50 KWD but not more than 1,000 KWD or less than 50 KWD with KWH over 15,000

Customer Charge \$25.65

Energy Charge

1st 15,000 \$.06282 per KWH

over 15,000 \$.03251 per KWH

Demand Charge

1st 50 No Charge

over 50 \$8.67 per KWH

- (3) Greater than 1,000 KWD but not more than 5000 KWD

Customer Charge \$50.00

Energy Charge \$.03304 per KWH

Demand Charge

1st 1,000 KWD \$8.23 per KW

over 1,000 KWH \$9.22 per KW

General Power (GSB)

Greater than 5,000 KWD but not more than 15,000 KWD

Customer Charge \$1,500.00

Energy Charge

Up to 620 hrs.
use of metered
demand per
month

\$.02825 per KWH

Additional KWH \$.02306 per KWH

Demand Charge \$10.85 per KW

CITY OF MURFREESBORO, TENNESSEE

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2003

Program Name	CFDA Number	Contract/Grant Number	Balance June 30, 2002 (Receivable)/ Deferred Revenue	Receipts	Expenditures (1)	Adjustments	Balance June 30, 2003 (Receivable)/ Deferred Revenue
U.S. DEPARTMENT OF AGRICULTURE							
Passed through the Tennessee							
Department of Education -							
National School Breakfast Program	10.553	N/A	\$ (24,938)	\$ 194,951	\$ 192,239		\$ (22,226)
National School Lunch Program	10.555	N/A	(87,932)	757,808	754,403		(84,527)
Emergency Food Assistance Program (Food Commodities)	10.569	N/A		137,294	137,294		
Department of Human Services -							
Summer Food Service Program	10.559	N/A		49,721	36,440		13,281
Child Care Food Program	10.558	D60001571		39,187	41,920		(2,733)
			\$ (112,870)	\$ 1,178,961	\$ 1,162,296		\$ (96,205)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Public Housing Drug Elimination Program	14.156	TN43DEP0200196	\$ (7,568)	\$ 81,686	\$ 74,118		
Community Development Block Grant	14.218	B-00-MC-47-0009	(33)				\$ (33)
Community Development Block Grant	14.218	B-01-MC-47-0009	(44,447)	367,942	323,495		
Community Development Block Grant	14.218	B-02-MC-47-0009		128,505	128,541		(36)
Emergency Shelter Grant	14.231	Z-02004985-00	(11,974)	11,974			
Emergency Shelter Grant	14.231	Z-03009419-00		46,696	48,069		(1,373)
HOME Program	14.239	DG9901322		113,199	113,199		
			\$ (64,022)	\$ 750,002	\$ 687,422		\$ (1,442)
U.S. DEPARTMENT OF THE INTERIOR							
Stones River National Battlefield Trail	15.916	CA-5590-2-9001	\$ (91,622)	\$ 3,403	\$ 50,469		\$ (138,688)
			\$ (91,622)	\$ 3,403	\$ 50,469		\$ (138,688)
U.S. DEPARTMENT OF JUSTICE							
Local Law Enforcement Block Grant	16.592	99-LB-VX-8754	\$ 3,519			\$ 573	\$ 4,092
Local Law Enforcement Block Grant	16.592	2001-LB-BX-2228	3,741				3,741
Local Law Enforcement Block Grant	16.592	2002-LB-BX-0293		\$ 81,904	\$ 79,584		2,320
Bulletproof Vest Program	16.607	N/A		7,366	7,366		
C.O.P.S. FAST, Universal Hiring	16.710	95-CF-WX-4380	(172,530)	237,776	65,246		
C.O.P.S. Universal Hiring (Parks)	16.710	96-UM-WX-1299	(53,077)				(53,077)
C.O.P.S. MORE 2000	16.710	00-CM-WX-0476	57,693				57,693
			\$ (160,654)	\$ 327,046	\$ 152,196	\$ 573	\$ 14,769

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2003

Program Name	CFDA Number	Contract/Grant Number	Balance June 30, 2002 (Receivable)/ Deferred Revenue	Receipts	Expenditures (1)	Adjustments	Balance June 30, 2003 (Receivable)/ Deferred Revenue
FEDERAL HIGHWAY ADMINISTRATION							
Passed through the Tennessee Department of Transportation -							
TEA-21 Stones River Battlefield Trail	20.205	CPD-13297	\$ (178,319)				\$ (178,319)
TEA-21 Stones River Battlefield Trail	20.205	CPD-1999879	(22,665)		\$ 69,024		(91,689)
TEA-21 Lytle Creek Greenway	20.205	CPD-669	(137,932)				(137,932)
Optional Safety Program	20.205	CPD-20581	(45,000)	\$ 45,000			
Optional Safety Program	20.205	CPD-20582	(45,000)	45,000			
Congestion Mitigation and Air Quality Improvement Program	20.205	2000504	(153,442)		121,181		(274,623)
			<u>\$ (582,358)</u>	<u>\$ 90,000</u>	<u>\$ 190,205</u>		<u>\$ (682,563)</u>
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION							
Highway Safety - Speeding Enforcement	20.600	Z-03-011812-00		\$ 10,257	\$ 15,996		\$ (5,739)
Highway Safety - Speeding Enforcement	20.600	Z-02-006343-00	\$ (10,112)	17,075	6,963		
Highway Safety - Crash Data Collection	20.600	Z-03-011811-00		2,272	3,521		(1,249)
Highway Safety - Crash Data Collection	20.600	Z-02-006342-00	(1,883)	2,565	682		
			<u>\$ (11,995)</u>	<u>\$ 32,169</u>	<u>\$ 27,162</u>		<u>\$ (6,988)</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY							
Passed through the Tennessee Emergency Management Agency -							
Public Assistance Grant	83.544	Z-03-017940-00			\$ 448,641		\$ (448,641)
					<u>\$ 448,641</u>		<u>\$ (448,641)</u>
U.S. DEPARTMENT OF EDUCATION							
Passed through Tennessee Department of Education -							
Title I Program 02.01	84.010	N/A	\$ 35,852	\$ 16,365	\$ 52,217		
Title I Program 02.21	84.010	N/A		49,801	49,801		
Title I Part A 03.01	84.010A	N/A		571,196	545,334		\$ 25,862
Migrant Program 02.01	84.011A	N/A	9,682	13,378	23,060		
IDEA, Part B Program 02.01	84.027	N/A	93,870	38,028	131,898		
IDEA, Part B Program 02.21	84.027	N/A		183,428	183,428		
IDEA, Part B Program 03.01	84.027	N/A		485,887	698,751		(212,864)
Preschool Grant Program 02.01	84.173	N/A	(3,552)	6,196	2,644		
Preschool Grant Program 03.01	84.173	N/A		23,115	32,553		(9,438)
Safe and Drug Free Schools	84.186A	N/A	(25,884)	25,884	30,948		(30,948)

(Continued)

CITY OF MURFREESBORO, TENNESSEE

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2003

Program Name	CFDA Number	Contract/Grant Number	Balance June 30, 2002 (Receivable)/ Deferred Revenue	Receipts	Expenditures (1)	Adjustments	Balance June 30, 2003 (Receivable)/ Deferred Revenue
U.S. DEPARTMENT OF EDUCATION (continued)							
Passed through Tennessee Department of Education -							
Even Start Program 02.01	84.213C	Z-0200857900	\$ (90,706)	\$ 90,706			
Even Start Program MC 03.01	84.213C	Z-0301310100		91,535	\$ 160,000		\$ (68,465)
Even Start Program FH 03.01	84.213C	Z-0301310200		143,052	200,000		(56,948)
Title II Program 01.21	84.281	N/A	(1,013)	1,013			
21st Century ATLAS	84.287	N/A	(66,723)	604,564	543,922		(6,081)
Title IV 21st Century Project Eagle	84.287C	Z-0301502500			11,871		(11,871)
Title VI Program 02.01	84.298	N/A	(16,762)	18,148	1,386		
Title V Program 03.01	84.298A	N/A		17,143	31,211		(14,068)
TCLSA MNP Grant 02.01	84.318	N/A	(16,472)	59,872	43,400		
Title II Part D 03.01	84.318X	N/A			12,276		(12,276)
Class Size Reduction	84.340	N/A	11,163		11,163		
Title III ELL Program 03.01	84.365A	N/A			14,807		(14,807)
Title II Part A 03.01	84.367A	N/A		164,770	155,173		9,597
			\$ (70,545)	\$ 2,604,081	\$ 2,935,843		\$ (402,307)
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Passed through the Greater Nashville Regional Council -							
Aging Services - Title IIID	93.043	2003-23		\$ 2,400	\$ 2,400		
Aging Services - Title IIIB	93.044	2003-23		19,900	19,900		
Aging Services - Title IIIB Regional Enhancement	93.044	2003-23		3,870	3,870		
Passed through Tennessee Department of Education -							
Early Childhood Education	93.558	Z-02-007193-00	\$ (169,425)	258,332	348,174		\$ (259,267)
Families First	93.558	Z*03-010189-00		32,796	42,156		(9,360)
			\$ (169,425)	\$ 317,298	\$ 416,500		\$ (268,627)
			\$ (1,263,491)	\$ 5,302,960	\$ 6,070,734	\$ 573	\$ (2,030,692)

Notes -

(1) This schedule reflects only the grantor's share of the expenditures.

Information in this schedule is presented on the accrual basis of accounting.

CITY OF MURFREESBORO, TENNESSEE

Schedule of Expenditures of State Awards

Year Ended June 30, 2003

<u>Program Name</u>	<u>Contract/Grant Number</u>	<u>Balance June 30, 2002 (Receivable)/ Deferred Revenue</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Balance June 30, 2003 (Receivable)/ Deferred Revenue</u>
TENNESSEE COMMISSION ON AGING					
Passed through the Greater Nashville Regional Council -					
Aging Services	GR 0214294-00		\$ 12,500	\$ 12,500	
			\$ 12,500	\$ 12,500	
TENNESSEE DEPARTMENT OF EDUCATION					
Basic Education Program	N/A		\$ 16,052,864	\$ 16,052,864	
School Food Service	N/A	\$ 7,291	36,529	15,089	\$ 28,731
Career Ladder Program	N/A	2,379	414,944	396,690	20,633
Career Ladder Extended Contract	N/A	59,864	182,145	145,186	96,823
Family Resource Center	Z-02-007343-00	(33,300)	63,952	33,300	(2,648)
Safe Schools Grant	N/A	(27,269)	41,331	17,468	(3,406)
Dropout Prevention Program	N/A		13,886	16,467	(2,581)
		\$ 8,965	\$ 16,805,651	\$ 16,677,064	\$ 137,552
TENNESSEE DEPARTMENT OF TRANSPORTATION					
Airport Maintenance	Z-03-01-2588-00	\$ (9,000)	\$ 9,000	\$ 9,000	\$ (9,000)
Extend Catch Basin Drain	Z-02-00-8708-00		7,137	7,137	
Design of Hangar	Z-02-00-8713-00		2,529	2,529	
Airport Layout Plan	Z-02-00-8720-00		18,592	21,020	(2,428)
Install Security Fence	Z-02-00-8707-00		14,400	14,400	
		\$ (9,000)	\$ 51,658	\$ 54,086	\$ (11,428)
		\$ (35)	\$ 16,869,809	\$ 16,743,650	\$ 126,124

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council
City of Murfreesboro, Tennessee

We have audited the accompanying basic financial statements of the City of Murfreesboro, Tennessee, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 10, 2003. We did not audit the financial statements of the Murfreesboro City Schools, the Murfreesboro Electric Department, the Murfreesboro Water and Sewer Department, the Murfreesboro Electric Pension Plan, and the Evergreen Cemetery Commission whose statements reflect total assets of \$15,213,260, \$66,826,232, \$228,380,785, \$8,549,258, and \$1,687,862, respectively, and total revenues of \$37,728,723, \$73,136,230, \$18,421,275, \$908,098, and \$435,390, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Murfreesboro City Schools, the Murfreesboro Electric Department, the Murfreesboro Water and Sewer Department, the Murfreesboro Electric Department Pension Plan, and the Evergreen Cemetery Commission is based solely upon the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

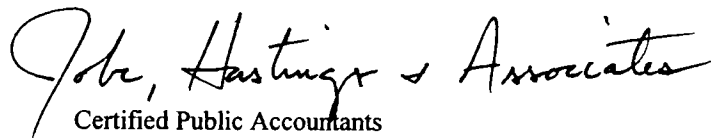
As part of obtaining reasonable assurance about whether the City of Murfreesboro, Tennessee's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated December 10, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Murfreesboro, Tennessee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of management, the City Council, and state and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

Murfreesboro, Tennessee
December 10, 2003

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor and City Council
City of Murfreesboro, Tennessee

Compliance

We have audited the compliance of the City of Murfreesboro, Tennessee, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Murfreesboro, Tennessee's management. Our responsibility is to express an opinion on the City of Murfreesboro, Tennessee's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Murfreesboro, Tennessee's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Murfreesboro, Tennessee's compliance with those requirements.

In our opinion, the City of Murfreesboro, Tennessee complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2003-2.

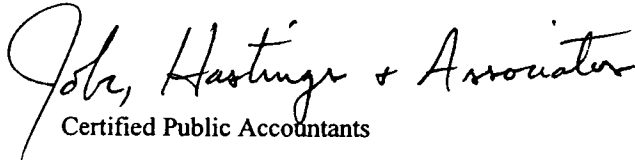
Internal Control Over Compliance

The management of the City of Murfreesboro, Tennessee is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Murfreesboro, Tennessee's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Murfreesboro's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of management, the City Council and state and federal awarding agencies and is not intended to be and should not be used by anyone other than those specified parties.


Certified Public Accountants

Murfreesboro, Tennessee
December 10, 2003

CITY OF MURFREESBORO, TENNESSEE
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2003

DEPARTMENT OF JUSTICE
C.O.P.S. Grants – CFDA No. 16.710

2002-2. Grant No. 95-CF-WX-4380

Conditions: Federal financial status reports were incorrectly completed and were not supported by proper documentation due to lack of internal controls.

Recommendation: The auditor recommended that a procedure be developed whereby a supervisor or other management personnel reviews all required reports for evidence of allowable cost documentation and for accuracy and completeness before the request for reimbursement is made and the reports are filed. The supervisor should maintain evidence of the review and approval should be documented. Someone other than the employee who prepares the report should sign all reports, and the request for reimbursement should agree with amounts documented in the report. Reports should be filed, and requests for funds made, in a timely manner.

Current Status: The above audit recommendation was not put into place in the current year due to the City receiving the recommendation after all of the related federal financial assistance reports were filed for the June 30, 2003 year end. However, management concurred and the recommendations will be put into place for future grant funds received from the Department of Justice.

CITY OF MURFREESBORO, TENNESSEE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2003

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Murfreesboro, Tennessee.
2. One reportable condition disclosed during the audit of the financial statements is reported in the *Independent Auditor's Report On Compliance And On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards*. The condition is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of the City of Murfreesboro, Tennessee were disclosed during the audit.
4. One reportable condition in internal control over major federal award programs disclosed during the audit is reported in the *Independent Auditor's Report On Compliance With Requirements Applicable To Each Major Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133*. The condition is not reported as a material weakness.
5. The auditor's report on compliance for the major federal award programs for the City of Murfreesboro, Tennessee expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include the USDA School Lunch Program, CFDA No. 10.555, the Federal Emergency Management Agency Public Assistance Grant, CFDA No. 83.544 and IDEA Part B, CFDA No. 84.027.
8. The threshold for distinguishing Types A and B programs as defined by *OMB Circular A-133* was \$300,000.
9. The City of Murfreesboro, Tennessee was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

REPORTABLE CONDITIONS

2003-1. Evergreen Cemetery Commission – Separation of Duties

Condition: One employee is currently responsible for executing, recording and controlling all cash transactions.

Criteria: Proper separation of duties requires that no one employee be responsible for an entire transaction cycle from beginning to end.

Effect: An unauthorized cash transaction could be executed and not be promptly discovered by the Commission's internal controls.

CITY OF MURFREESBORO, TENNESSEE
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2003

2003-1. Evergreen Cemetery Commission – Separation of Duties (continued)

Recommendation: To the extent possible, Management should separate the duties of executing, recording and controlling cash transactions.

Response: Management believes the cost of maintaining this control would exceed its benefits.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

REPORTABLE CONDITION

FEDERAL EMERGENCY MANAGEMENT AGENCY
Public Assistance Grant – CFDA No. 83.544

2003-2. Grant No Z-03-017940-00

Condition: Adequate procedures were not in place to ensure that the project summary records, required under this grant, accurately reported costs for actual time worked and actual overtime wage rates paid to employees working on the project. There was also no procedure in place in some departments of the City to maintain proper documentation of the time that the City owned equipment was in use on this project, thereby, making accurate reporting of equipment costs difficult. In addition, the benefit rate added to the calculation of overtime wages reported was lower than actual.

Criteria: Internal controls should be in place that provide reasonable assurance that the labor costs are accurately reported for actual time worked and actual rates paid, and also, that the equipment in use on the project is for actual time used. Additional detailed review of the project summary records should be made by someone other than the preparer to locate any possible reporting errors.

Effect: Because of inadequate controls surrounding the reporting of project costs, incorrect costs (both positive and negative) were reported to the grantor, and the net amount of the findings are questioned costs.

Population and Items Tested:

	<u>Number</u>	<u>Dollars</u>	<u>Questioned Costs</u>
Population Size	533	\$616,229	
Items Tested	40	97,964	
Items Not in Compliance-			
Positive	15	2,343	\$ 2,343
Negative	5	(90)	<u>(90)</u>
Net Questioned Costs per Sample			\$ 2,253

(continued)

CITY OF MURFREESBORO, TENNESSEE
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2003

Effect (continued):

During the course of testing, we became aware of some additional costs that were inadvertently reported to the grantor for equipment usage on a holiday when the equipment was not in use. The total amount of these costs was \$5,306 and are questioned costs.

5,306

The benefit rate added to the calculation of overtime wages reported to the grantor was lower than actual. If the calculation had been made with the higher actual rate, costs reported to the grantor would have been \$816 higher than reported.

(816)

Net Questioned Costs

\$ 6,743

Cause: Due to the required urgency of the City's response to the disaster that led to the grant, adequate procedures to ensure the accuracy of the project summary records were not implemented.

Recommendation: Adequate procedures should be developed, should this type of grant be awarded in the future, to ensure the accuracy of the grant records. More detailed reviews of the required reports by someone other than the report preparer should be made. Also, decisions should be made at the beginning of the grant about what source documentation should be used by each department to produce the reports. In addition, decisions should be made currently about the types of documentation that should be maintained on an ongoing basis in the event these types of records would have to be produced.

Response: Management concurs with the recommendations and has already implemented procedures to maintain certain types of documentation essential to this type of reporting in the event it was necessary in the future. The City will expand the procedures to comply with the auditor's recommendations.